

MARKET ACTION TO TAKE NOW

MAR 7 - 1945

Binding SOCIOLOGY

# *The* MAGAZINE *of* WALL STREET

and BUSINESS ANALYST

MARCH 3, 1945

50 CENTS

*Special  
1945*

*Re-Appraisals of Earnings  
and Dividend Forecasts*

OUTLOOK FOR ALL  
LEADING COMPANIES

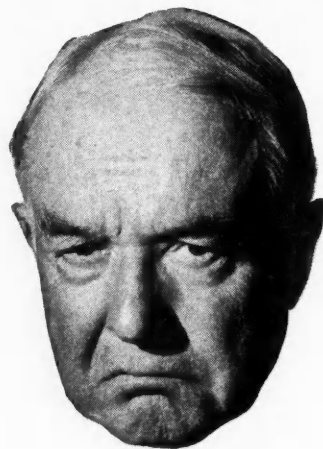
UNDER PRESENT WAR  
PRODUCTION PLANNING

PART 3

OILS — MACHINERY  
MACHINE TOOLS  
— AIRCRAFT —  
AIR TRANSPORT



"I'll tell you **GOOD  
TIMES ARE COMING!**"



"I'll tell you  
**BAD TIMES AHEAD!"**

## What's it to you?—PLENTY!

OKAY! Maybe the optimists are right. There'll be good times after the war.

OKAY! Maybe the pessimists are right. We'll have another depression.

What's it to you? **PLENTY!** It's largely in *your* hands as to which we'll have.

The one way to make it *good* times is to do your share to help keep prices down now!

That means *buying only what you really need*. It means *paying off your debts, saving your money*.

And here's where you're lucky.

The same program that helps insure prosperity is also the best possible way to get yourself in shape to take another depression if one does come. So what? *You're right both ways*—if you save your money. *You lose both ways*—if you splurge right now.

Think it over, fella. Then get in there and fight. Read—and observe—the four rules to head off inflation. The war isn't over yet. And the war against *inflation* isn't over yet—by a long shot. Remember World War I? The cost of living rose twice as fast *after* the war as it did during the war itself.

### 4 THINGS TO DO to keep prices down and help avoid another depression

1. Buy only what you really need.
2. When you buy, pay no more than ceiling prices. Pay your ration points in full.
3. Keep your *own* prices down. Don't take advantage of war conditions to ask more for your labor, your services, or the goods you sell.
4. *Save*. Buy and hold all the War Bonds you can afford—to help pay for the war and insure your future. Keep up your insurance.

**HELP  
US  
KEEP**

**PRICES DOWN**

# THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

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March 3, 1945

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Cover photo shows passengers boarding a stratoliner of the TWA fleet.

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CHRYSLER DODGE *Chrysler Corporation* DE SOTO PLYMOUTH

NOW MAKING WAR PRODUCTS

## DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of seventy-five cents (\$.75) per share on the outstanding common stock, payable March 14, 1945, to stockholders of record at the close of business February 26, 1945.

B. E. HUTCHINSON  
Chairman, Finance Committee



**COLUMBIA  
PICTURES  
CORPORATION**

The Board of Directors has declared a stock dividend of 2 1/4% on the Common Stock of this corporation, payable in Common Stock on May 9, 1945, to stockholders of record at the close of business April 24, 1945. Cash will be paid where fractional shares of Common Stock are due.

A. SCHNEIDER,  
Vice-Pres. and Treas.  
New York, February 16, 1945.

## SOUTHERN PACIFIC COMPANY DIVIDEND NO. 109

A QUARTERLY DIVIDEND of Seventy-five Cents (\$.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, March 19, 1945, to stockholders of record at three o'clock P. M., on Monday, February 26, 1945. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.  
New York, N. Y., February 15, 1945.



**CONTINENTAL  
CAN COMPANY, Inc.**

The first quarter Interim dividend of twenty-five cents (25¢) per share on the common stock of this Company has been declared payable March 15, 1945, to stockholders of record at the close of business February 26, 1945. Books will not close.

SHERLOCK McKEWEN, Treasurer.

## NEW IDEA, Inc.

The Board of Directors of NEW IDEA, Inc. on February 20, 1945 declared a quarterly cash dividend of twenty-five cents per share on the Common Stock of the Company payable March 31, 1945 to holders of record at the close of business March 16, 1945.

Jos. A. Oppenheim, Treasurer.



**COLUMBIAN  
CARBON COMPANY**

## Ninety-Third Consecutive Quarterly Dividend

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of \$1.00 per share, payable March 10, 1945 to stockholders of record February 23, 1945, at 3 P. M.

GEORGE L. BUBB  
Treasurer



Photo by Moore-McCormack Line

**C**ALLE FLORIDA, the center of the shopping district in Buenos Aires, is a busy section of the Argentine metropolis.

Argentinians have money to spend, and spend freely, but goods now are scarce just as everywhere. Potentially Argentina is our best postwar export market in the Western Hemisphere. Political relations, however, between our country and the leading South-American nation have not been satisfactory. Just how Argentina's political and economic balance sheet shapes up today is discussed in an article beginning on page 571 of this issue.

**T H**

C. G. V

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# THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher*

E. A. KRAUSS, *Managing Editor*



## The Trend of Events

**A TAX ON SPECULATIVE PROFITS? . . .** Mr. Eccles' proposal of a special war-time tax on speculative profits realized on stock and real estate transactions during the war and transition period must be viewed as another official warning against excessive speculation. It comes on the heels of the first warning a few weeks ago which took the form of raising margin requirements from 40% to 50% and which, as was to be expected, had no market effect whatsoever.

The tax proposal, made with an eye on stemming inflation especially in the immediate postwar years, correctly points to the capital market as the one open door through which inflation could gain unhampered entry. Goods and commodities are either price-pegged or rationed but neither ceilings nor rationing are applicable to securities and real estate. Hence, Mr. Eccles fears, there is nothing to stop the stock market or real estate markets from being bid up to any levels. Rural property, he asserted, has already been bid up 60% in value, urban property, has gone up 40% to 50% and stocks have risen 80% from their 1942 lows. In his opinion, there is only one way of dealing with the situation and that is a special profit tax on the resale of stocks, farms and other real estate.

There has been much speculation whether such a tax could accomplish the specific objective Mr. Eccles seeks. The question is difficult to answer. Some contend that such an impost might easily push prices even higher on the theory that this

would be inevitable in a market in which anyone can buy but no one wishes to sell. Also, it is held, owners of stocks and real estate may well ask higher prices before selling, knowing that their profits would be sharply cut by the special levy.

For the moment, it is besides the point whether this sort of reasoning is sound or not. We could conceivably by heavy taxation minimize or perhaps avoid speculative excesses with their inflationary implications, though the threat of black markets would be forever present. Short-term trading, to be sure, would be hard hit since many would no longer find it worth their while.

On the other hand, the suggested levy could also have undesirable and inequitable effects. By discouraging investment in stocks, the tax could deter the flow of capital into equities of both existing and new ventures. Bona fide investors who would want to sell their holdings for good reason would face a burdensome, punitive extra tax on profits. One of the greatest objections, as some see it, would be the effect on normal business activities, particularly with respect to reconversion and expansion in the immediate postwar period. Many business funds, for lack of other employment, are currently invested in securities. Application of the tax would make it difficult to liquidate these investments when needed, in fact might result in something approaching a "freeze" of the market because investors would be loath to sell out their holdings until after the tax is lifted. In short, the tax might well strike at

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS : 1907 — "Over Thirty-Eight Years of Service" — 1945

symptoms only without removing the cause, might accelerate the price rise by discouraging sales and otherwise produce some unexpected consequences.

All this, of course remains to be seen. Probably no one can exactly say what would happen. So far, congressional sentiment remains cool, even skeptical of the success of the proposed measure and any attempt to push it through Congress would probably have hard sledding. The capital gains tax, even as it now operates, has strong foes as well as friends in Washington, the former disclaiming the validity of the theory that capital gains should be treated as income. To convince them of the necessity for even stiffer levies will not be easy.

As far as stocks are concerned, there is no denying the rapidly growing unbalance between demand and supply. To what heights this situation may force stock prices is a matter of warranted concern and Mr. Eccles' suggestions, whatever their final disposition, are evidence of the Government's unrelenting vigilance and determination to prevent the situation from getting out of hand.

**A LARGER FLOATING DEBT . . .** The Treasury apparently has decided that a large part of our huge public debt shall consist of short-term obligations. In his annual report, the Secretary of the Treasury stated that "the same circumstances which have made it advisable to concentrate a large proportion of the wartime debt in securities of short maturity will continue in time of peace."

An obvious reason for such a course is naturally the interest saving thereby obtainable by the Treasury. A second factor no doubt is the ease of disposing of large amounts of short-term securities to the banks, as compared with the more difficult task of placing long-term obligations with individual investors. Then, too, the Treasury's effort to stabilize interest rates at a low level are facilitated by limiting the volume of longer term marketable obligations which could be thrown on the market, with depressive effects on prices, at some future time.

One result of the announced policy of maintaining a large floating debt has been to spur the rising trend in quotations of Government bonds and notes, paving the way for the lengthening of maturities or a lowering of yields for comparable issues in the next war loan drives, as apparently contemplated.

We are all aware of the huge expansion in the money supply, arising from the absorption by the banks of so large a part of the increase in our national debt. The increase in the money supply could be checked, and finally reversed, by converting short-term obligations into long-term issues palatable to individual investors looking for a higher return but this apparently is not to be. With our annual interest burden already huge and still rising, first consideration is to keep interest rates down. This seems to preclude any large-scale refunding of short-term Governments into long-term issues during the transition or postwar periods. It is a course that no doubt will achieve the object of keeping the whole interest structure at low levels but it also means debt management along inflation-

ary lines as far as the money supply is concerned.

**COSTS VS. CEILINGS . . .** Creeping cost increases in a number of industries are gradually catching up with profits from expanded volume and in view of ever-narrowing margins, the OPA is being forced to grant more price increases.

This trend is perhaps most pronounced in the heavy industries and typified by recent boosts in ceiling prices of pig iron, manganese steel castings, primary chromium chemicals and southern hard wood lumber. The interim price increase granted last month for important steel mill products is another case in point, highlighting the steadily tightening cost situation.

In most large industries, volume of production increased each year from 1939 through 1943, and profits mounted correspondingly. But by the end of 1943, volume leveled off at the peaks then attained and since has either remained steady or declined slightly. Costs in the latter period crept steadily higher, constantly narrowing the absorptive capacity of industry as volume failed to expand further, and in many instances fell off. In other words, the pressure of costs against ceilings became increasingly stronger, calling for eventual price action to maintain an adequate rate of return for the industries involved.

Today, the creeping up of costs to the point where they threaten profitable operations of many industries is a major problem confronting OPA, already harassed by constant attacks on its price stabilization policy. To-date, most ceiling increases granted have not been sufficient to compensate fully for rising costs, the OPA frequently contending that cost increases generally have not been such as to force price rises. But the margin is constantly narrowing, the absorptive capacity of many industries steadily growing less. Unless the rise in costs can be checked—and that usually means the uptrend in wages—, OPA will find its "hold the line" policy increasingly under attack. Corporate earnings statements clearly reflect the trend.

The wage sector, too, promises to continue under relentless pressure. The series of "fringe" awards recently made by the WLB to textile and packing industry workers are believed to have cracked a hole through the wage front through which John L. Lewis' coal miners are expected to try to crash. WLB acted against the edict of Economic Stabilizer Vinson that he could not review any price-boosting "fringe" wage awards. In the textile and packing industry decisions, WLB threw on Vinson's lap the price consequences of pay raises for night shifts, vacations, job reclassifications, etc. Only the wording of the awards is disguising this fact.

The unions involved have followed through with strike threats to induce Vinson's capitulation. The most likely upshot, many now believe, will be higher wages and higher prices in many industries. Thus with rising wages boosting costs, and costs catching up with ceilings, we can see nothing but a further severe battering of the Little Steel Formula, already badly mutilated.

# As I See It!

BY ROBERT GUISE

## POWER POLITICS IN THE NEAR EAST

THE war has receded a long way from the Near East and on every side there are signs of preparation for the coming peace. But the complex struggle for postwar economic and political power is nowhere potentially so disrupting as in that part of the world. As to essential interests, the Near East to us means oil and air bases—apart from normal trade problems; to the British it means all of that plus the desire to retain her position as the dominating force in that region and safeguard strategic Empire routes; Russian ambitions center on oil but perhaps even more on expansion of political spheres of influence in the area concerned.

This readily explains the great importance attached to recent talks of President Roosevelt and Prime Minister Churchill with leading personalities of the Near East where, in the eyes of competent observers, the great powers' determination to pull together may well be subjected to the severest strains. The situation is further complicated by the Syrian-Lebanese crisis over relations with France which still holds a juridical mandate over these lands but whose de facto control seems to be virtually at an end.

Last but not least, there is the trend toward Arab unity, the intention of six Arab nations to form an Arabian Federation so as to present a united front to the big powers on Middle Eastern problems. This, briefly, is the line-up of powers and interests, the array of the principal questions up for solution. An indication that all may not be smooth sailing is perhaps the fact that Messrs. Roosevelt and Churchill had separate, not joint conversations with the Near East's leading figures, a fact which was particularly noted in Britain.

It now appears that Britain is willing to support French demands in the Middle East although it is obvious that French power there will be greatly weakened. But while France's influence in the region has waned, the war has revealed that both the United States and Russia intend to share with

Britain in the development of the Arab world.

Such intentions—if they are to be carried out amicably and constructively—presuppose satisfactory solution of a number of intricate questions, and one can only speculate as to their specific nature. The most pressing issue is no doubt the Syrian-Lebanese crisis; echoes of demands for sovereignty by Syria and Lebanon may have had much to do with de Gaulle's ill-timed refusal to meet the President. Other questions revolve around the international postwar air position, including disposition of American and British air bases in Egypt and other Near Eastern countries; around Arabian and Iranian oil and American development of the vast concessions granted to American interests by King Ibn Saud of Arabia. General diplomatic problems include international trade; the position of the Near Eastern countries in the proposed international security organization; the Palestine problem as it affects the Arab nations; relief, rehabilitation and ultimate disposition of former Italian colonies, a matter of great import to the Governments of virtually all Near Eastern states.



From "Flight To Everywhere" by Ivan Dmitri

The fact that the oil resources of the area constitute the world's second largest petroleum reserves inevitably foreshadows intense interest of all the great industrial nations. Britain's position there has long been entrenched and our own stature has grown by leaps and bounds. But Russian influence, too, has made great strides especially during the last year. Apart from Russia's known desire for oil concessions in northern Iran, she has recently established diplomatic relations with several Arab states and is said to contemplate further moves towards expansion of her influence in the area. The Arab world senses a conflict of British and American interests arising from our entrance into Middle Eastern affairs. It intends to make the most of it, hence efforts towards Arab unity to strengthen their bargaining power.

A union of Arab states (Please turn to page 604)

# Market Action To Take Now

The market's recent technical action remained favorable on the whole, but it can not be ignored that the Administration is giving increasing indications that it will seek to repress any mushrooming speculative tendencies from here on. We continue to advise a selective, reasonably conservative investment policy.

BY A. T. MILLER

THE market's action has been generally strong over the past fortnight. The industrial, railroad and utility averages marked up new highs before retreating a bit in recent days when bullish enthusiasm was somewhat chilled by the news that the Chairman of the Federal Reserve Board had recommended a "speculation" tax as an anti-inflation measure.

We doubt very much that the proposal by Mr. Eccles will, of itself, prove more than a temporary and relatively unimportant market factor. However, it was not a casual after-thought. It "ties in" with the previous action of the Reserve Board in raising margin requirements. It has been publicly endorsed, in principle, by the Secretary of the Treasury. It followed previous reports that the Administration had been "watching" the bull market — with a wary, if not apprehensive eye — and had been considering or "wondering" what might be done to prevent the development of speculative excesses.

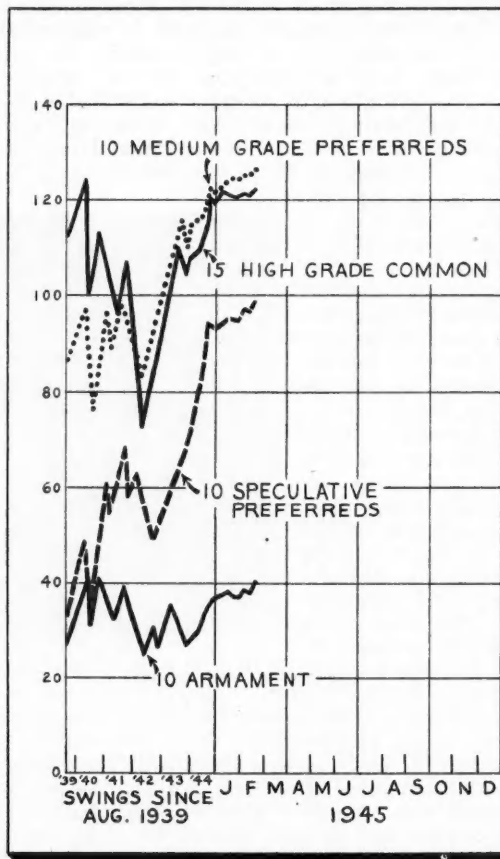
It is therefore probably accurate to say that the Administration has served notice that it does not favor a roaring advance in stock prices and has given a rather clearly implied warning that from here on one should not be surprised if its general policy toward the market is repressive, at least in intent. However, and necessarily, this still leaves more questions unanswered than answered.

For instance, we don't know what the Administration's definition of "speculative excess" is. Presumably it would not have raised margin requirements, as an anti-speculation gesture, if it had believed the question was entirely academic, or that the threat of excess centered in some remote future. Should it feel it to be necessary or desirable to offer active opposition at some future point of market rise, we don't know what that point is; nor do we know what steps — other than verbal — might be resorted to.

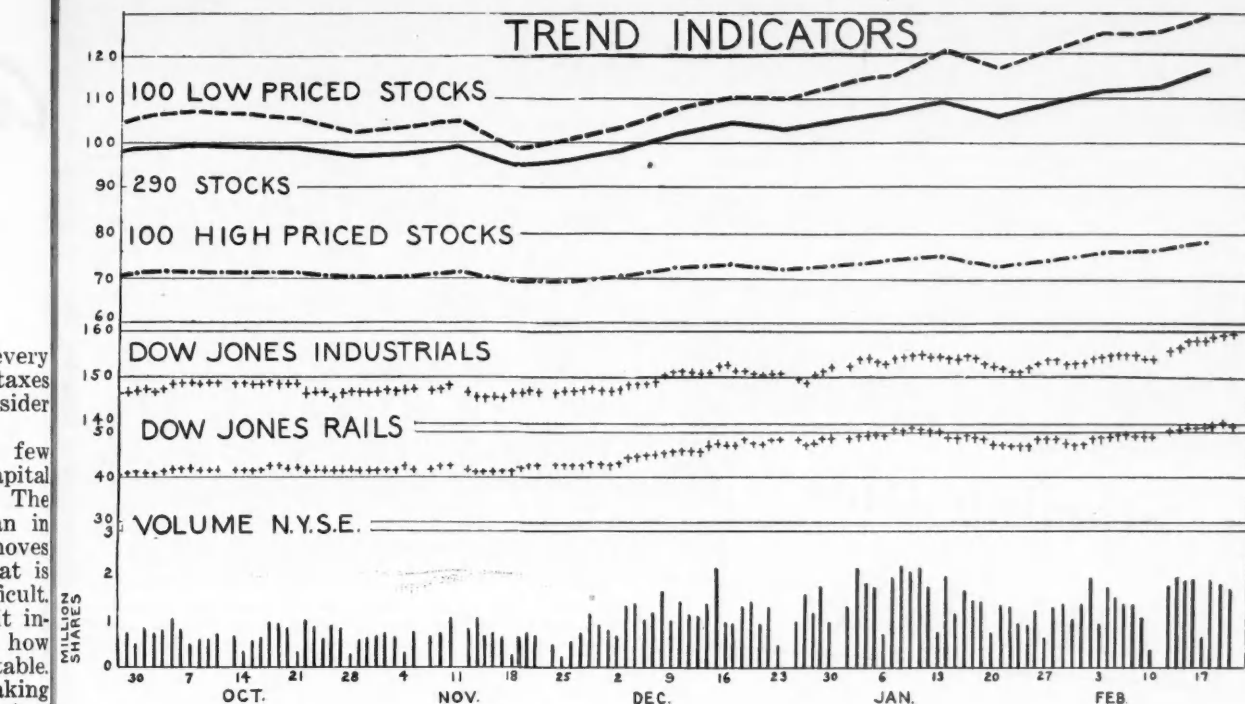
Reverting to Mr. Eccles, what he proposes is nothing more nor less than a very stiff capital gains tax, applying not alone to profits on stocks but on any type of capital asset. At least for the foreseeable future, of course, there is virtually no chance that Congress will agree to change the present capital gains tax rate, which amounts in effect to 25 per cent of profits realized on assets held six months or longer. Whatever other uncertainties there may be about Congress, taxes do not constitute one of them. Only in Mr. Roosevelt's first term did the Administration have an effective voice in formulating tax policy. Congress has been "writing the ticket" on taxes since 1936 — and more so than ever

during the last several years. And there is every indication that Congress will refuse to alter taxes in any respect until the time comes to consider reductions.

While we are on this subject, however, a few more words are in order. A punitive tax on capital gains would do far more harm than good. The market is already considerably "thinner" than in the past — thin enough to make "sponsored" moves (we won't use the term manipulation, for that is supposed to have been outlawed) not too difficult. The Eccles proposal, if adopted, would make it infinitely thinner than now. Whether and by how much it might repress stock buying is debatable. But, obviously, it would repress selling — the taking of profits — far more than it would repress buying. Therefore, on any given volume of buying, stock



## TREND INDICATORS



prices would tend — other things being equal — to advance much more violently than they do now.

Aside from trying to "talk" the market down, it is difficult to see what the Administration can do on its own — without legislation by Congress — except to raise margin requirements further or, perhaps, to prohibit margin purchases altogether. What effect might they have? It would depend upon the technical vulnerability of the market at the time. If there had been an over-fast advance, a ban on margin buying would serve as a good enough excuse for a stiff reaction. But, for the longer term, we doubt whether it would make a great deal of difference. Though the debit balances of brokers' customers have increased noticeably in recent months, the total is still very modest in relation to aggregate stock values. Only a relatively insignificant amount of bank credit is involved. At the latest month-end, the loans of Stock Exchange member firms on collateral other than Government bonds amounted to less than 1 per cent of total market value of listed common and preferred stocks.

Without splitting hairs as to exact percentage, it is undeniable that in truly preponderant degree this is a cash-financed stock market. It is conceivable to us that in the long run it wouldn't act greatly different on a 100 per cent cash basis — so long as the Government's fiscal policy is basically inflationary and so long as there is a consensus of optimism (whether or not over-done, as is already probable in certain individual stocks) about post-war earnings and dividend potentials.

Meanwhile, it is a moot question whether the Administration's anti-speculation gestures will, over the near term, serve to chill the bulls further or have the unintentional effect of adding more fuel to the fire. We don't feel too sure about the answer.

There is much to be said both ways. Superficially, it would seem that a bull market ought to do better if it had the tacit blessings of the Administration than it would do under the open opposition of the Administration. But whether the majority of people interested in the market will reason this way is not so sure. The other side of it is that an opposition which is, say, 98 per cent talk and 2 per cent action (higher margins) might actually aid the bull market as a result of the official "advertising" of it.

However, we have known Washington officials to be about as far off on their notions of market prospects as the general public. We have had our doubts — and still have them — that a run-away market is likely at this time when the end of the war in Europe seems an ever closer possibility, if not probability; when, despite all the present tough talk by the Army procurement chiefs, nobody really knows how sharp will be the war-production cutbacks after the defeat of Germany; and when, despite plausible assumptions of "very long" war in the Far East, every intelligent person knows that the unexpected must be allowed for in that quarter also.

This is the year in which extensive economic readjustment will begin, in all probability. One can hardly expect continuous clear sailing in the market. On the contrary, periods of considerable unsettlement are virtually a foregone conclusion; and, with the tax penalties on short-term market operations so heavy, it is sensible in planning investment policy to strive to look ahead at least six months. From this perspective, what counts is not whether a stock is currently "moving" but whether it offers actually solid values. We favor a conservatively selective attitude; and — for those whose primary object is appreciation — we do not believe a fully-invested position is warranted. — Monday, February 26.

## Sterling Bloc vs. The Dollar

BY E. A. KRAUSS

**I**T is frequently contended that currency stability is an essential necessity if harmony is to prevail among nations. The past is replete with examples corroborating this fact. Even more fundamental is the relationship between exchange stability and a smooth flow of international trade.

Harmony among nations, in this particular instance between Britain and this country, has been disturbed in a minor sense by the recent rejection on the part of American bankers, speaking through three of their associations, of the Monetary Fund tentatively agreed upon at Bretton Woods by representatives of 44 nations. The rejection and related recommendations have not gone down well in British financial circles as witness London press reports. In one comment it was asserted that Britain would indignantly reject "such archaic hard money views"; another stated, gratuitously, that postwar loans from American bankers would be no substitute for commodious American merchandise imports. Even *The Economist*, the conservative financial weekly, comes to the conclusion that "... the bankers, forgetting the Nineteen Twenties, are evidently convinced that the task of providing the world with a required supply of short-term dollar credits in a difficult postwar period can be safely left to them. They appreciate none of the abnormality of that period."

These are harsh words, coming in reply to the calmly reasoned arguments of the bankers' report on the Bretton Woods project. The report, issued by the American Bankers Association after long and thorough study, proposed that the Monetary Fund be dropped, some of its intended functions be transferred to the proposed International Bank and the latter's charter modified in certain respects. Not only would the A.B.A. proposal discard the \$8.8 bil-

lion Currency Fund without expanding the \$10 billion International Bank, but the terms of the Bank's currency loans would not be nearly so easy as those provided under the Monetary Fund.

The bankers' distaste for the Fund from the beginning has been motivated by the belief that it would give other countries too easy access to the two outstanding media of exchange — gold and U. S. dollars —, and that the Fund, though mainly financed by the U. S., would be under majority control of other nations. They also felt that it would not take two institutions to do the international financing job. The Fund was held unnecessary, for its function could be telescoped into those of the International Bank with greater efficiency and safety for the money of the American people. They opined, further, that the Fund plan embodies lending methods that are unproved and impractical, and contrary to accepted credit principles.

There was, however, no such objection to the International Bank. The latter would more closely follow accepted banking principles and the U. S. would retain veto power over loans payable in dollars. The bulk of the Bank's operations would be financed by the sale of its own obligations or take the form of guaranteeing loans made by others. Initial capital requirements thus would be relatively small. Only the first 10% would be called in the first year — some \$300 million in the case of the U. S. Another 10% would be subject to call for making direct loans; the remaining 80% would constitute a guarantee fund, to be called only if needed to cover defaults in loans which the Bank has guaranteed or to meet its own obligations. But recognizing interim financing needs before an international lending organization could begin to function, the bankers recom-

Chairmen of the various United Nations delegations, pictured on the lawn of the Mt. Washington Hotel at Bretton Woods, during the monetary conference last summer. (Wide World Photo)

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mended that the capital fund of the Export-Import Bank be increased to \$2 billion from presently \$700 million. (In Administration quarters, a lending power of from \$5 to \$7 billion had been urged.)

As was to be expected, the A.B.A. recommendations found no official favor. Secretary Morgenthau expressed disappointment that the bankers' "horizon" had not been "a little broader." President Roosevelt in a recent message to Congress urged immediate action on the Bretton Woods agreements which he described as essential for a peaceful and prosperous world. The President recognized the criticism directed against the fund proposal by conceding that it was not perfect, but suggested that experience would permit necessary improvements and refinements.

### Decision up to Congress

Publication of the bankers' recommendations appears to have drawn the lines for a battle in Congress. It is unlikely that the Administration will permit emasculation of the Bretton Woods scheme without a stiff fight and in this it has the support of influential labor groups which are pressing for quick ratification without changes of any kind. The amendments proposed by the bankers, expostulated recently the CIO News, would wreck the whole Bretton Woods agreements "and lose for America the five million jobs in exports that Bretton Woods makes possible."

The issue which Congress must face is based not alone on technical principles and procedures but must be viewed against the background of interest, both foreign and domestic. Specifically, it is an issue that somehow must be reconciled with the British trade and financial position, as readily apparent from the British comment cited above.

Briefly, it revolves around the following. Before the war, Britain had to meet her unfavorable trade balances with income received from investments abroad or with liquidation of such investments, or both. The war has destroyed much of Britain's overseas capital and other income, and on top of that created such large debts abroad that the country's postwar exports may have to run as much as 50% above prewar levels to keep British economy going. Hence many Britons, and prominently so Lord Keynes, have been veering away from the gold standard insisting instead on freedom to use bi-lateralism, currency depreciation and exchange controls to solve their difficulties.

Such a course naturally runs counter to our own interests. We normally import far less goods than others would like to buy from us, hence trade or exchange restrictions are not only not helpful but a distinct threat to our international trade potential. Any international currency or trade system must attempt to compromise these opposing interests. The big question is: What price do we have to pay for it? The original price demanded was high, as exemplified by the original Keynes plan calling for a \$30 billion stabilization fund. It had to be trimmed, and was trimmed down to Bretton Woods size. It is obvious that any further trimming, such as suggested in the bankers' report, would not only be resented but possibly may jeopardize any prospect of a compromise solution.

Essentially, the struggle involving the gold standard is only an aspect of the economic-financial rivalry between England and the United States. England must greatly expand her postwar exports and somehow find the means of doing it. If, she maintains, these means are not made available by international cooperation — such as provided for in the Bretton Woods agreement, for example — she will have to go it alone as best as she can by concentrating on the sterling area, by means of exchange controls and by judicious use of blocked sterling. All this could become a real threat to our foreign trade.

External claims on the United Kingdom have recently been estimated at close to two billion sterling with sterling balances comprising the bulk, roughly some 1.35 billion sterling; by now the figure is probably considerably higher. Most of these balances belong to sterling area countries but many neutral countries have also piled up very sizable balances in London for expenditure after the war. Altogether, blocked balances have now grown to such proportions, and Britain's resources have been so reduced, that it will be impossible to meet the original requirements which called for liquidation five years after the end of the war. Instead, it is planned to have them renegotiated immediately after cessation of hostilities to give Britain a breathing spell.

These balances represent a postwar "call" on British production in return for supplies shipped under war contracts. By reducing the pressure of immediate repayment through renegotiation, it is expected that part of British production will be made available for export to areas which have no such balances, that is areas in which we may have great competitive interest.

According to latest reports, it is now probable that the aforesaid renegotiation will afford a breathing spell of ten or fifteen years, in other words ample time to work off the sterling balances accumulated by Britain's creditor countries which besides the various Empire countries include such neutrals as Argentina, Sweden, Spain and Portugal. As can be seen in the accompanying

(Please turn to page 596)

### External Claims on the United Kingdom

(In millions of pounds sterling)

Creditor	Amount*
<b>Sterling balances:</b>	
<b>Official holdings(1)</b>	
India	752
South Africa	21
Eire	25
Australia	96
New Zealand	33
Egypt	95
Iraq	39
Palestine	27
Malaya	100
Brit. West Africa	21
Brit. East Africa	15
Southern Rhodesia	4
Argentina	42
Brazil	30
Uruguay	4
Portugal	42
Iceland	5
<b>Total</b>	<b>1,351</b>
<b>Other holdings(2)</b>	
Palestine	29
Eire	120
New Zealand	7
Egypt	145
<b>Total</b>	<b>301</b>
<b>Grand Total</b>	<b>1,652</b>

\* Latest available data.

(1) Mainly holdings of Central Banks and Currency Boards.

(2) Commercial banks and others.

# A Study of Selected Companies



# Comparing Asset Value to Market Price

BY J. S. WILLIAMS

**A**LTHOUGH its results have been fairly well controlled to date, it is an undeniable fact that inflation must be reckoned with in investment policy. The supply of money — as represented by the total of commercial bank deposits and currency in circulation — is getting bigger month by month, and year by year — and no end of this expansion is in sight. As compared with pre-war, the dollar has had a sizable depreciation in purchasing value. Whether it will lose more, over the longer-term, is a moot question.

The possibility makes many investors "inflation-conscious". This is one reason for the current popularity of common stocks in general — though it must be emphasized that in the present world, when the Government forbids private ownership of gold and can block transfer of funds out of the country, neither common stocks nor any other form of tangible property can actually be regarded as a fool-proof "hedge."

In previous periods of price inflation, so-called commodity stocks — for instance, coppers and oils — were highly regarded. But in this war our commodity producers, excepting farmers, have been forced to operate on rigidly controlled prices. They have profited not from price rises but from greatly expanded volumes of business. The market performance of most commodity stocks has not been above-average; and in some, notably metals, it has been sub-average.

What about stocks in which there are high asset values per share? A great many investors have always been partial to equities in which the prevailing market price looks low, or reasonable, in relation to book value and to net quick assets per share — and interest in such stocks naturally has been heightened by the inflation question. Despite the great advance which the market has had since the spring of 1942, one can still find a number of

stocks priced below book value, a few priced under quick assets, others priced only moderately above quick assets.

This fact in itself should be sufficient to suggest to intelligent investors that there must be something the matter with the theory that the way to find equity bargains is to look for high asset values per se. Since there are a great many sophisticated and well-informed individuals, and institutions, with an ever-alert eye for values, true bargains do not long go unrecognized.

There is a catch in this matter of asset values. While real enough for purposes of corporate accounting, they nevertheless have only theoretical meaning for the stockholders. The assets could be turned into cash for distribution to the shareholders only if the companies liquidated, and they are not going to liquidate. If they did, how many factories would fetch the book value of land, building and machinery at a distress sale? In most cases considerably less than the stated value of even quick assets could be realized in liquidation, for much of it is usually represented by inventories.

There are a few liquidating situations — especially utility holding companies in recent years — but in the great majority of cases an investor buying a partnership interest in a company does so on the assumption that it will remain a going concern. As long as it does remain a going concern, the assets are really important only as instrumentalities for handling the business and making profits. Furthermore, the profits depend on many factors besides the tangible assets owned — often, above all, on an intangible asset that can not be recorded on any balance sheet: namely, the ingenuity and aggressiveness of the human beings whom we call "the management". Many a venture has made big money, starting with little more than an idea.

The chief considerations determining the market

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worth of any stock—with the exception of occasional actual liquidating situations—have to do with earning power and dividends. That is why some well-regarded stocks sell far above book value and quick assets per share. And that is why some stocks of uncertain or unpromising earning power often sell below book value and quick assets per share.

A "run-away" inflation—by which is meant a genuine flight from money—remains an improbability in this country. Suppose we say that a "substantial" further price rise is possible. With respect to common stock selections, how can one best "hedge" against this or benefit from it? As a practical matter, the answer boils down to prospective volume and to profit margins thereon. Thus, there is a combination of two things to go for: (1) above-average longer-term sales potentialities, and (2) adequate operational flexibility whereby prices can be adjusted—after the ceilings are removed—to higher costs or whereby costs can otherwise be satisfactorily controlled.

### Assets vs. Potentials

Whether a given company meets these specifications has not a great deal to do with whether its book value is high or low, or how much may be its quick assets per share—provided such assets are fully adequate to the needs of the enterprise as a going concern. Some stocks with low per share asset values meet them. Some stocks with high per share asset values meet them.

In an accompanying tabulation we list thirty examples of stocks now priced low in relation to book values and to net quick assets. Note that these are examples, not recommendations. Some of these stocks do not look at all cheap when considered in relation to their earnings in the best pre-war years or to what the writer believes their post-war earnings potentialities to be.

The second tabulation is made up of fifteen stocks, selected from the thirty, which the writer believes have above-average longer-term potentialities. It is not exclusive. It doesn't mean that all the others not included are regarded as inferior. However, special attention has been given to the "reasonableness" of present prices in relation to demonstrated earning power in past good years and/or to probable earning power for an extended period after the war, assuming high-level business and some degree of tax reduction.

In the majority of cases, present earning power appears to be below what would probably be normal expectancy in active peace-time years. In the minority of instances where war-work profits are higher than in the most profitable pre-war years, it is nevertheless believed that the stocks are not out of line with post-war earnings possibilities.

Space limitations prevent individual analyses of all these fifteen stocks; and the rest of the article will be given over to brief discussions of a limited number which the writer considers to offer most in investment status and/or future possibilities.

American Seating has had a fair to good earning power for many years in all save deep depression periods, and dividend policy has been reasonably satisfactory. The resumption of public building

should improve earnings, now depressed below the pre-war average, very substantially. The financial position is adequate; and aside from \$1,020,000 in medium-term serial debt, the capitalization is only 221,062 capital shares. The stock is now priced at only about 8 times the earnings shown in its best pre-war year, and they were not accidental or very exceptional.

Bigelow-Sanford is the largest manufacturer in the rug and carpet field. War materials, carrying low profit margins and mostly outside of the company's normal line, now account for some 70 per cent of sales. Earnings are fair, but much below what would be expected in an active peace-time year. The stock has had a big rise and the yield from the indicated \$2 dividend is only a little over 3 per cent. However one must note that this company earned as much as \$6.45 a share in 1939 and that, however much the stock is up from its low, it is priced at but slightly over 8 times this figure. Because of the large deferred demand for rugs and carpets—both replacement and original sales incident to new building—post-war volume for several years should be far in excess of that of 1939. To be sure, taxes will be higher; but with partial relief, earnings ought to be good enough to warrant substantially higher prices than now prevail. To the writer, this looks—eventually—like at least a \$75 stock, with a \$3.50 to \$4 dividend. The capitalization is only 26,403 shares of \$6 cumulative preferred stock and 313,609 shares of common. Indicative of strong financial position, the net quick assets amount to almost as much as the price of the stock.

Bulova Watch has had much better than average growth of sales and profits in its field, and for some time the stock, in this writer's opinion, has merited a higher investment status than the market has yet accorded it. To be sure, the peace-time product is in the luxury class, and business is not good in deep depressions, as in 1932-1933. But the stock market is not discounting a depression. The general run of stocks are priced on the basis of a post-war prosperity period. If we have it, Bulova seems under-priced on its reasonably appraised potentialities. Here is a company which earned \$8.14 a share in its best pre-war year, \$4.31 in the poor 1938 when quite a few of the better-known "old line" com-

### Selected High-Assets Stocks With Above-Average Prospects

	Earnings Per Share			Ind. Div. Yield
	*Best Pre-War Years	1943	Est. 1944	
American Seating	\$2.88	\$1.35	\$1.25	4.4%
Barker Bros.	2.82	1.76	2.00	3.1
Bigelow Sanford	6.45	2.48	A 2.81	3.7
Brunswick-Balke	1.91	2.73	2.50	3.5
Bulova Watch	8.14	5.92	7.00	3.9
Butler Bros.	1.68	1.08	1.00	3.8
Manhattan Shirt	2.00	2.76	2.65	4.8
Munsingwear, Inc.	3.29	3.17	2.25	5.4
Murray Corp.	0.98	1.46	A 1.51	3.0
National Dept. Stores	2.18	3.53	3.40	3.0
New Idea, Inc.	2.78	1.82	1.90	5.0
Reliable Stores	2.32	2.47	2.10	5.2
Reliance Mfg.	4.06	4.01	4.00	7.6
U. S. Hoffman Mach.	1.92	1.17	1.60	4.4
Yale & Towne	2.72	3.00	3.00	2.5

\*Of period 1935-1939. A—Actual.

panies had deficits, and which averaged about \$6.60 a share for the four pre-war years 1936-1939.

This stock is now priced at about 6.4 times highest annual pre-war earning power and about 7.8 times the average annual earning power of 1936-1939. The company is doing pretty well now (\$5.92 a share for the latest year), for watch makers are well situated to make a variety of high-precision war equipment; while the demand for watches, only partially served by imports, mounts higher and higher. Dividends in past good years, when working capital needs were less than now, have been as high as \$3.50 to \$4.00. Through successful distributing policies and effective advertising, the company has built up a strong trade position for its high-grade Bulova watches and the lower-price Westfield line. The capitalization is only 324,881 shares of stock.

Butler Brothers is the largest wholesale distributor of a broad line of popular-priced dry goods, wearing apparel, furniture, jewelry, toys, hardware, etc. Some 40,000 items are handled. The company also owns the Scott-Burr Stores, operating 116 variety stores in the Middle West and 23 junior department stores in the Southwest. About half of wholesale distribution is to some 3,000 stores which, though independently owned, operate as semi-affiliated chains under the names Ben Franklin Stores (variety) and Federated Stores (dry goods). Sales and profits have shown above-average long-term growth. An aggressive expansion program has been planned.

The highest pre-war earnings were \$1.68 a share in 1936, and the stock is now priced at about 9 times that figure. Due mainly to war-time taxes, present earning power is only around \$1 a share, though volume in the war years has established new highs. The capitalization is 270,912 shares of

\$1.50 convertible preferred and 1,144,803 shares of common. The stock is priced at slightly less than net quick assets—which have more significance in merchandising than in most other lines—and is one of the minority of low priced issues which offer real values at the present advanced market levels.

### Murray Corporation

Murray Corporation is a speculative stock and one of the few in this list which is not cheap in relation to best pre-war earnings. However, it is the consensus of the motor industry, and of Government economists, that post-war automotive demand for an extended period will be far above that of any comparable past period. If so, with reduction or elimination of the excess profits tax, Murray is likely to fare much better than it did before the war. Products made include body stampings, fenders and hoods, frames, cushion springs; parts for aircraft, farm equipment and washing machines; service station equipment; automatic stokers, kitchen sinks and steel cabinets. The financial position has improved greatly since 1938. Sole capitalization is 950,615 shares.

Listed on the Curb Exchange, and not widely known, New Idea, Inc., is a 46-year old manufacturer of farm machinery and hand tools. Much smaller than the "leaders" in the field, on a per share basis its earnings and dividend record of the past decade has been superior to those of most larger competitors. The company earned \$2.78 a share in its best pre-war year, and averaged \$2.48 a share for the 1936-1939 period. It is now priced at about 9 times the latter figure, and yields 5 per cent on the indicated \$1.15 dividend. Dividends as high as \$1.60 have been paid in the past. While substantial, war-time earnings are below normal. If there is to be post-war prosperity for the farm equipment business—which is what such standard stocks as International Harvester, Deere and the others have been discounting—New Idea will get its share of it. On a realistic investment basis, it appears to the writer to be a comparative bargain in that, per dollar of market price, it offers probably more post-war earning power and dividends than the better-known stocks in the group. The financial position is good and the sole capitalization is 272,000 shares.

United States Hoffman Machinery is one of the few machinery makers whose war-time earnings have not been greatly inflated. This is because of its specialized nature as a manufacturer normally of consumer goods machinery: garment pressing machines and accessories, dry cleaning and laundry equipment, vacuum cleaning systems and hat renovating equipment. As would be expected, the earnings and dividends have been poor or non-existent in years of sub-normal business activity, but the stock is priced at only some 9 times the share earnings of such years as 1936 and 1937; and in view of the large accumulated demands to be served after the war, it should be readily possible to better the 1936-1937 figures substantially. The capitalization is 20,929 shares of 5½ per cent convertible preferred and 219,016 shares of common.

It is to be noted that (Please turn to page 599)

### Stocks With High Asset Values

	Per Book Value	Common Quick Assets	Share Cash Items	Recent Price
Am. Laundry Mach.	\$42.56	\$33.58	\$17.80	35¼
Am. Seating	31.77	19.14	6.14	22¾
Am. Type Founders	20.11	13.40	8.36	16
Babcock & Wilcox	52.22	32.44	30.45	34
Barker Bros.	29.05	14.71	17.88	24
Bell Aircraft	30.42	14.41	41.74	143½
Bigelow-Sanford	72.99	48.94	21.86	54
Bliss (E. W.) Co.	31.79	13.14	18.00	20
Boeing Airplane	33.15	15.62	9.56	20½
Brown Shoe	53.84	43.79	18.37	47
Brunswick-Balke	33.51	22.32	14.33	28¼
Bulova Watch	44.32	33.40	25.79	51½
Butler Bros.	23.43	15.54	5.66	15½
Columbia Pictures	36.41	29.87	6.68	24¾
General Cigar	41.77	36.32	7.60	28½
Grand Union	30.77	22.87	11.63	21
Lima Locomotive	67.49	37.09	15.11	55
Mack Trucks	72.52	48.24	46.98	55½
Manhattan Shirt	32.26	28.19	6.83	25¾
Munsingwear, Inc.	36.49	28.33	6.70	27½
Murray Corp.	20.87	11.40	8.49	16½
National Acme	28.03	19.13	27.00	23¾
Nat. Dept. Stores	30.72	25.27	14.55	24¼
Nat. Enamel & Stamp.	77.37	34.07	46.43	41
New Idea, Inc.	20.87	18.28	14.85	22¾
Reliable Stores	24.49	22.05	23.35	19½
Reliance Mfg.	29.26	25.91	11.57	25¾
U. S. Hoffman Mach.	23.23	12.88	4.86	17¼
White Motors	47.70	35.03	19.57	30¾
Yale & Towne	49.48	32.17	19.80	39½

# Variations In Corporate Financial Strength As Revealed



BY H. S. TREMAINE

**A** PRELIMINARY study of year-end balance sheets reveals a number of interesting trends, some new and others, while previously discernible, increasingly pronounced. All stem from the fact that our war effort is now well over the hump, that basic industrial adjustments have long been completed, that integration of governmental and private efforts has placed industry on a smoothly working basis on which it can proceed in more or less routine fashion. With it, the financial strain incidental to rapid and enormous war-time expansion of operations has largely become a thing of the past, mitigated if not largely removed by progressive accumulation of excellent war-time earnings.

Here are some of the more outstanding features that latest balance sheets disclose. They are in no sense universal, for there are numerous exceptions, but they do appear to indicate trends reflecting the present stage of industry's war-time role.

First of all, the great assets expansion which began with initiation of the war program seems to have reached its limit and a reverse trend appears in the making in a good many instances. It is frequently reflected in lower inventories, smaller receivables and progressive plan write-down. Inventories especially have been tending downwards in line with stabilizing if not contracting war output. Receivables, formerly large, also tend to shrink though the trend here is less clear-cut.

From 1941 to early 1943, Government funds were a major factor contributing to corporate liquidity. Advances on war contracts were large and private financing of needed huge inventories was often obviated by means of governmental progress payments. In addition, sizable amounts of short-term funds became available as tax reserves rose sharply in line with steeply mounting tax liabilities. But subsequently, the need for infusion of Government

funds became less urgent. Substantial percentages of net income were retained by many corporations with a resultant strengthening of working capital positions. There developed a pronounced trend towards greater self-financing and this trend shows up quite clearly in 1944 balance sheets though it is by no means uniform either in fact or degree.

Generally, in 1944, the former principal sources of corporate liquidity, that is Government funds and tax reserves, bulked less prominently but the effect of their decline on liquidity was offset by lower investment in plants and working capital, and by larger accumulation of retained earnings.

Thus while frequent contraction of total assets can be noted, net working capital as a rule continued to gain and what's more, current ratios have improved, however moderately. In short, liquidity further increased.

Cash holdings show a generally declining trend but this is offset by larger holdings of Government securities, indicating that corporate funds in excess of current needs continue to be invested to a considerable extent in such securities. A notable feature is that securities holdings in a good many cases now materially exceed tax liabilities.

To sum up, year-end balance sheets outstandingly point to: (1) Gradual contraction of total assets following the great assets inflation which accompanied our all out industrial war effort; (2) Further progress towards liquidity not only in terms of larger working funds (with less reliance on Government financial aid) but also in terms of more comfortable current ratios. Net working capital positions on the whole were further strengthened, mainly by retained earnings. Though earlier infusion of Government funds has been a major factor in corporate liquidity, the distinct tapering off of these funds as noted in numerous instances has by no

# NASH KELVINATOR

	Sept. 30 1943	Sept. 30 1944	Change
<b>ASSETS</b>			
Cash	18.543	15.931	-2.612
Marketable securities	17.563	19.232	+1.669
Receivables, net	24.633	21.882	-2.751
Inventories, net	5.326	4.209	-1.117
Other current assets	15.491	12.006	-3.485
<b>TOTAL CURRENT ASSETS</b>	<b>81.556</b>	<b>73.260</b>	<b>-8.296</b>
Plant and equipment	22.089	21.704	-0.385
Less depreciation	11.012	11.710	+0.698
Net property	11.077	9.994	-1.083
Other assets	7.293	7.550	+0.257
<b>TOTAL ASSETS</b>	<b>99.926</b>	<b>90.804</b>	<b>-9.122</b>
<b>LIABILITIES</b>			
VT Loan payable	—	15.000	+15.000
Accts. payable and accruals	14.766	15.760	+0.994
Reserve for taxes	8.208	7.485	-0.723
Adv. contracts	25.336	—	-25.336
<b>TOTAL CURRENT LIABILITIES</b>	<b>48.310</b>	<b>38.245</b>	<b>-10.065</b>
Reserves	4.413	4.438	+0.025
Capital	21.456	21.456	—
Surplus	25.747	26.665	+0.918
<b>TOTAL LIABILITIES</b>	<b>99.926</b>	<b>90.804</b>	<b>-9.122</b>
<b>WORKING CAPITAL</b>	<b>33.246</b>	<b>35.015</b>	<b>+1.769</b>
Current Ratio	1.7	1.9	+0.2

# CARRIER CORP.

	Oct. 31 1943	Oct. 31 1944	Change
<b>ASSETS</b>			
Cash	2.976	1.136	-1.840
Marketable securities	—	—	—
Receivables, net	4.756	6.255	+1.499
Inventories, net	3.812	5.064	+1.252
Uncompl. contracts	1.820	2.020	+0.200
<b>TOTAL CURRENT ASSETS</b>	<b>13.364</b>	<b>14.475</b>	<b>+1.111</b>
Plant and equipment	2.978	3.297	+0.319
Less depreciation	1.688	1.757	+0.069
Net property	1.290	1.540	+0.250
Other assets	0.696	3.097	+2.401
<b>TOTAL ASSETS</b>	<b>15.350</b>	<b>19.112</b>	<b>+3.762</b>
<b>LIABILITIES</b>			
V Loan payable	4.000	5.400	+1.400
Accts. payable and accruals	2.100	2.209	+0.109
Reserve for taxes	0.127*	0.235*	+0.108
Other current liabilities	2.162	1.220	-0.942
<b>TOTAL CURRENT LIABILITIES</b>	<b>8.389</b>	<b>9.064</b>	<b>+0.675</b>
Long term debt	1.443	—	-1.443
Capital	0.406	7.656	+7.250
Surplus	5.112	2.392	-2.720
<b>TOTAL LIABILITIES</b>	<b>15.350</b>	<b>19.112</b>	<b>+3.762</b>
<b>WORKING CAPITAL</b>	<b>4.975</b>	<b>5.411</b>	<b>+0.436</b>
Current Ratio	1.5	1.5	—

\*—After deducting U. S. tax notes 1943—\$3.9 mill.;  
1944—\$4.3 mill.

# HERCULES POWDER

	Dec. 31 1943	Dec. 31 1944	Change
<b>ASSETS</b>			
Cash	5.739	6.499	+0.760
U. S. Gov't securities	29.718	22.571	-7.147
Receivables, net	9.059	8.047	-1.012
Inventories, net	14.158	12.359	-1.799
Other current assets	—	—	—
<b>TOTAL CURRENT ASSETS</b>	<b>58.674</b>	<b>49.476</b>	<b>-9.198</b>
Plant and equipment	50.035	52.076	+2.041
Less depreciation	31.529	34.933	+3.404
Net property	18.506	17.143	-1.363
Other assets	19.324	21.234	+1.910
<b>TOTAL ASSETS</b>	<b>96.504</b>	<b>87.853</b>	<b>-8.651</b>
<b>LIABILITIES</b>			
Accts. payable and accruals	7.792	5.259	-2.533
Reserve for taxes	21.515	12.959	-8.556
Other current liabilities	1.418	1.284	-0.134
<b>TOTAL CURRENT LIABILITIES</b>	<b>30.725</b>	<b>19.502</b>	<b>-11.223</b>
Advances & Accts. payable	10.218	11.372	+1.154
Reserves	8.262	8.672	+0.410
Capital	24.988	24.988	—
Surplus	22.311	23.319	+1.008
<b>TOTAL LIABILITIES</b>	<b>96.504</b>	<b>87.853</b>	<b>-8.651</b>
<b>WORKING CAPITAL</b>	<b>27.949</b>	<b>29.974</b>	<b>+2.025</b>
Current Ratio	1.9	2.5	+0.6

means led to impairment of liquidity. Rather, the latter continues to highlight the financial showing of most corporations.

It would be a mistake, however, to over-generalize these conclusions. While the showing of industry as a whole reflects progressive financial strength, the picture varies considerably among individual concerns, thus calling for individual analysis. With that in mind, we have prepared comparative balance sheet data showing 1943 and 1944 positions of a number of companies, and the changes that occurred during the latter year. Appraisal of these data should be of value not only insofar as it reveals a company's individual situation; the deviations in the financial experience of the various concerns should prove equally interesting.

Take for instance Nash-Kelvinator whose activities last year have been devoted almost completely to war production. Signs of progressive strength are unmistakable in the company's balance sheet. Working capital during 1944 increased by \$1.76 million after disbursement of \$2.14 million in dividends. Current assets, while they declined, included cash items of fully 45%, and the current ratio, by virtue of an even greater decline in current liabilities, improved from 1.7 to 1.9. Inventories and receivables dropped during the year and Government infusion of funds, to finance the company's huge war output and represented in 1943 by advances on contracts in the amount of \$25.33 million, was eliminated, in part by resort to a VT credit of which \$15 million was in use at the close of 1944. Surplus showed a moderate gain. The company's exhibit is perhaps typical of the trends described in the foregoing, highlighting greater financial strength and liquidity despite contraction of assets. Marketable securities in the amount of \$19.23 million greatly exceed tax reserves of \$7.48 million, in fact they nearly cover the outstanding VT-credit as well. With receivables mainly due from the Government and inventories relatively small, the company's current position is one of sound liquidity and property account is well depreciated.

Hercules Powder, likewise heavily in war work, shows similar trends. Both total assets and current assets declined but working capital rose as did the current ratio, a thoroughly healthy development

# WAYNE PUMP

	Nov. 30 1943	Nov. 30 1944	Change
<b>ASSETS</b>			
Cash	2.286	2.272	-0.014
Marketable securities	0.857	1.593	+0.736
Receivables, net	1.082	0.623	-0.459
Inventories, net	1.077	1.054	-0.023
<b>TOTAL CURRENT ASSETS</b>	<b>5.302</b>	<b>5.542</b>	<b>+0.240</b>
Plant and equipment	2.622	2.578	-0.044
Less depreciation	1.279	1.403	+0.124
Net property	1.343	1.175	-0.168
Other assets	0.660	0.498	-0.162
<b>TOTAL ASSETS</b>	<b>7.305</b>	<b>7.215</b>	<b>-0.090</b>
<b>LIABILITIES</b>			
Accts. payable and accruals	0.505	0.357	-0.148
Reserve for taxes	0.339	0.332	-0.007
Renegotiation Reserve	0.145	—	-0.145
<b>TOTAL CURRENT LIABILITIES</b>	<b>0.989</b>	<b>0.689</b>	<b>-0.300</b>
Reserves	0.120	0.157	+0.037
Capital	0.290	0.290	—
Surplus	5.906	6.079	+0.173
<b>TOTAL LIABILITIES</b>	<b>7.305</b>	<b>7.215</b>	<b>-0.090</b>
<b>WORKING CAPITAL</b>	<b>4.313</b>	<b>4.853</b>	<b>+0.540</b>
Current Ratio	5.3	8.0	+2.7

correcting the early wartime trend in a contrary direction when working capital needs of most war-active corporations rose precipitately. Cash and securities holdings come to about 60% of current assets and securities alone are almost double the amount of tax reserves. Both inventories and receivables have been declining, though modestly in this case. Postwar tax credits (included in other assets) amount to \$4.55 million. Being in the nature of a contingent current asset, the company's liquidity to that extent is actually greater than balance sheet figures indicate. Government advances of some \$11.37 million (under cost-plus contracts) are fully offset on the other side of the ledger; they do not affect the company's over-all position which has materially improved during 1944.

Black & Decker, leading maker of portable electric tools, displays roughly the same trend, though there are marked variations in degree. Here, too, comparative balance sheet data show declining total assets and current assets, but an increase—however moderate—in working capital and a notable improvement of the current ratio. Receivables expanded modestly but inventories stood at a materially lower level at the end of last year. Cash and securities combined nearly cover current liabilities, and securities alone come close to covering tax reserves.

In contrast, the statistical exhibit of Carrier Corporation is a notable exception. Both total and current assets expanded as did (moderately) working capital while the current ratio remained unchanged at 1.5. The asset expansion was mainly due to issuance of new preferred stock (\$3.5 million), partly to retire outstanding debentures. The remaining proceeds was invested in short-term Government securities which are not presently included in current assets. If they were (they are now carried among "other assets"), liquidity would be more pronounced; the funds are earmarked for future plant expenditures and other corporate purposes. The marked increase in the company's capital item is not due to issuance of preferred stock alone. Other capital exchanges during the year include an increase in authorized common shares from 700,000 to 900,000 shares and

(Please turn to page 597)

#### BLACK & DECKER

	Sept. 30 1943	Sept. 30 1944	Change
<b>ASSETS</b>			
Cash	1.738	1.392	-0.346
Marketable securities	1.018	1.344	+0.326
Receivables, net	2.193	2.434	+0.241
Inventories, net	4.296	2.804	-1.492
<b>TOTAL CURRENT ASSETS</b>	<b>9.245</b>	<b>7.974</b>	<b>-1.271</b>
Plant and equipment	4.719	3.702	-1.017
Less depreciation	2.328	1.915	-0.413
Net property	2.391	1.787	-0.604
Other assets	0.944	1.355	+0.411
<b>TOTAL ASSETS</b>	<b>12.580</b>	<b>11.116</b>	<b>-1.464</b>
<b>LIABILITIES</b>			
Accts. payable and accruals	1.512	1.435	-0.077
Reserve for taxes	2.985	1.665	-1.320
Other current liabilities			
<b>TOTAL CURRENT LIABILITIES</b>	<b>4.497</b>	<b>3.100</b>	<b>-1.397</b>
Reserves	0.973	1.348	+0.375
Capital	1.946	1.946	
Surplus	5.164	4.722	-0.442
<b>TOTAL LIABILITIES</b>	<b>12.580</b>	<b>11.116</b>	<b>-1.464</b>
<b>WORKING CAPITAL</b>	<b>4.748</b>	<b>4.874</b>	<b>+0.126</b>
<b>Current Ratio</b>	<b>2.0</b>	<b>2.5</b>	<b>+0.5</b>

#### CASE, J. J.

	Oct. 31 1943	Oct. 31 1944	Change
<b>ASSETS</b>			
Cash	12.181	11.815	-0.366
Marketable securities	9.481	15.436	+5.955
Receivables, net	14.839	4.944	-9.895
Inventories, net	13.338	18.457	+5.119
Other current assets			
<b>TOTAL CURRENT ASSETS</b>	<b>49.839</b>	<b>50.652</b>	<b>+0.813</b>
Plant and equipment	25.106	26.253	+1.147
Less depreciation	13.087	13.759	+0.672
Net property	12.019	12.494	+0.475
Other assets	1.782	2.649	+0.867
<b>TOTAL ASSETS</b>	<b>63.640</b>	<b>65.795</b>	<b>+2.155</b>
<b>LIABILITIES</b>			
Notes payable			
Accts. payable and accruals	5.802	5.129	-0.673
Reserve for taxes	11.162	12.283	+1.121
Other current liabilities			
<b>TOTAL CURRENT LIABILITIES</b>	<b>16.964</b>	<b>17.412</b>	<b>+0.448</b>
Reserves	4.985	6.400	+1.415
Capital	28.786	28.786	
Surplus	12.905	13.197	+0.292
<b>TOTAL LIABILITIES</b>	<b>63.640</b>	<b>65.795</b>	<b>+2.155</b>
<b>WORKING CAPITAL</b>	<b>32.875</b>	<b>33.240</b>	<b>+0.365</b>
<b>Current Ratio</b>	<b>2.9</b>	<b>2.9</b>	<b>—</b>

#### ATLAS POWDER

	Dec. 31 1943	Dec. 31 1944	Change
<b>ASSETS</b>			
Cash	6.923	5.562	-1.361
U. S. Gov't securities	5.316	3.449	-1.867
Receivables, net	4.899	5.853	+0.954
Inventories, net	5.497	6.076	+0.579
Unbilled contracts	2.020	1.999	-0.021
<b>TOTAL CURRENT ASSETS</b>	<b>24.655</b>	<b>22.939</b>	<b>-1.716</b>
Plant and equipment	20.407	20.917	+0.510
Less depreciation	12.068	12.993	+0.925
Net property	8.339	7.924	-0.415
Other assets	5.860	5.839	-0.021
<b>TOTAL ASSETS</b>	<b>38.854</b>	<b>36.702</b>	<b>-2.152</b>
<b>LIABILITIES</b>			
Accts. payable and accruals	4.234	4.725	+0.491
Reserve for taxes	5.737	3.877	-1.860
Other current liabilities	3.075	2.325	-0.750
<b>TOTAL CURRENT LIABILITIES</b>	<b>13.046</b>	<b>10.927</b>	<b>-2.119</b>
Deferred liabilities	0.039		-0.039
Long term debt	1.052	0.522	-0.530
Reserves	1.690	1.703	+0.013
Capital	15.658	15.658	
Surplus	7.369	7.892	+0.523
<b>TOTAL LIABILITIES</b>	<b>38.854</b>	<b>36.702</b>	<b>-2.152</b>
<b>WORKING CAPITAL</b>	<b>11.609</b>	<b>12.012</b>	<b>+0.403</b>
<b>Current Ratio</b>	<b>1.9</b>	<b>2.1</b>	<b>+0.2</b>

#### CELOTEX

	Oct. 31 1943	Oct. 31 1944	Change
<b>ASSETS</b>			
Cash	2.863	2.257	-0.606
U. S. Gov't securities	0.150	0.850	+0.700
Receivables, net	2.670	2.277	-0.393
Inventories, net	2.133	2.222	+0.089
Other current assets			
<b>TOTAL CURRENT ASSETS</b>	<b>7.816</b>	<b>7.606</b>	<b>-0.210</b>
Plant and equipment	11.536	12.013	+0.477
Less depreciation	6.867	7.583	+0.716
Net property	4.669	4.430	-0.239
Other assets	2.769	2.988	+0.219
<b>TOTAL ASSETS</b>	<b>15.254</b>	<b>15.024</b>	<b>-0.230</b>
<b>LIABILITIES</b>			
Accts. payable and accruals	2.259	1.481	-0.778
Reserve for taxes	0.930	0.777	-0.153
Other current liabilities			
<b>TOTAL CURRENT LIABILITIES</b>	<b>3.189</b>	<b>2.258</b>	<b>-0.931</b>
Deferred liabilities	0.037	0.024	-0.013
Long term debt	3.000	2.879	-0.121
Reserves			
Capital	3.674	3.892	+0.218
Surplus	5.354	5.971	+0.617
<b>TOTAL LIABILITIES</b>	<b>15.254</b>	<b>15.024</b>	<b>-0.230</b>
<b>WORKING CAPITAL</b>	<b>4.627</b>	<b>5.348</b>	<b>+0.721</b>
<b>Current Ratio</b>	<b>2.4</b>	<b>3.3</b>	<b>+0.9</b>

# Happening in Washington

Charles Phelps Cushing Photo

By E. K. T.

**ECONOMIC** angles of world peace, almost wholly forgotten in the negotiations and treaties which ended World War I, are receiving as much attention now as are the military and political sides. United Nations Conference at San Francisco, April 25, is fundamentally economic — "security"; so, of course, were Dumbarton Oaks and the other parleys on this continent. FDR and Vandenberg proposals underscore the same thought. Sharp pencils as well as gold braid will cast reflections on the next peace table.

## *Washington Sees:*

Use of contract and priority cancellations to enforce WLB wage orders has its limitations, and while Stabilization Director Vinson has asked for legislation to provide penalties for noncompliance it is doubtful that he actually expects such a statute to be enacted.

Long a member of Congress, Vinson knows all the twists and turns on the legislative road. Capitol Hill is in no mood to impose further sanctions on business and industry unless there are corresponding mandates to organized labor. An effective bill empowering the courts to enforce the orders of administrative bodies, as distinguished from those of the legislative branch, would have to spell out duties and powers with an exactness that doesn't fit into the free-and-easy operations of agencies dealing with employer-employee relations.

There is a point beyond which cancelling orders and preference ratings can't be carried without harming the war production program. The same is true of plant seizures; the facilities of government for carrying on seized industries are not great.

But a combination of the two, adapting each where it is most likely to be effective, might prove a valuable deterrent. In any event it would sidestep new legislation and avoid delays.

**DETERMINATION** to mould a new body of labor law is obvious in bills before Congress, even aside from those pointed specifically at war problems. Hobbs Bill to overcome "racketeering" will come up again; three bills would outlaw the closed shop, an equal number would ban "maintenance of membership"; anti-strike measures are several in number; one would restrict union membership to citizens; and another places a ceiling of 75 cents an hour on minimum wages ordered under any Federal statute.

**LEND-LEASE** is spreading far beyond the original confines which were marked by the requirements of the Allied Nations and is picking up new participants as small countries are liberated. A deal with France is in the making, one soon will be made with Belgium, and legislation before Congress to declare Italy an Allied partner has as its admitted root a plan to extend lend-lease to that prostrate nation. Proposed new agreements would not be confined to food, clothing, relief.

**GOV. DEWEY** bowed himself out of the 1948 picture when he talked informally to newsmen in Washington a few weeks ago. But the gesture wasn't convincing. Returning servicemen will form a powerful vote bloc three years hence and they will want one of their number to head the GOP ticket, he pointed out. But Dewey follows history closely and is aware that no veteran came to the Presidency since the last war, in fact none was nominated by either majority party. Also, the New York Governor's declinations in the past have proved only political strategems.

**MEAT SHORTAGE** will be so acute by midsummer that the cigarette "famine" will pale into significance. Not that the smokers will have more; that situation, too, will worsen. Official livestock reports forecast a 1945 per capita supply well below the five-year average and about 10 per cent under 1944. Poultry won't be rationed but "set asides" for military purposes will take much of it off the civilian market.

AS  
NE  
GO TO  
PRESS

Big business is being invited to "come back -- all is forgiven." Called in the early days of the preparedness drive, relegated when things began to move smoothly, the welcome mat is out again at the War Production Board.

Several WPB offices forced to retrench only a few months ago are building up again. Top production men from industry are being drafted to take jobs in steel, aluminum, lead and tin divisions.

Conservation and salvage division, once a unit of great importance but abolished in November will be recreated. A new salvage campaign to funnel scrap into war industries is in the offing.

Cutbacks were made in steel, aluminum and lead programs, last fall; WPB staffs were dismissed. Now military demands have called for re-examination, reversal of policy.

Government's plan to provide for consumer textile needs through recasting of pricing is slowing down, may never be realized. Assurances from head officials had called off protests national in scope and beginning, appropriately enough, with the diaper supply trade.

Now mixed in with the cotton wage case before the War Labor Board, the backwash of the Bankhead cotton textile amendment to price control, and other problems, the situation is becoming confused and there's an official attitude of avoidance.

Remaking of textile ceilings was the projected cure-all. But something significant is happening: OPA Chief Chester Bowles is dropping remarks about earnings and profits in that industry, suggesting "studies."

Propaganda mills of the State Department and OWI are being oiled up to turn out arguments in support of the program agreed to by the Big Three. The job isn't going to be an easy one. Nationalistic groups already are in the field airing their grievances.

The Vatican's lament is not to be lightly dismissed. It spotlights the fact that the three nations gaining least, or actually suffering -- Italy, France and Poland -- are fundamentally of its religion and could rally forces in a crusade fraught with danger.

One New York City congressman already has raised the religious issue on that score. Another referred in a speech to the meeting of the "Big One." Both cries are being taken up.

Voters of Polish descent are a big factor in populous cities of the east and midwest. Each year not fewer than 75 special bills introduced in congress to declare as a national memorial day the anniversary of Pulaski's death acknowledges that fact.

Purpose of the creation of an assistant secretaryship in charge of public relations and public information in the State Department becomes increasingly clear.

As predicted, manpower control by statute has been tangled in a legislative mess which now points to little legislation. Senate opinion is swinging toward arming War Manpower Commission with power to enforce its program instead of enacting the May-Bailey Bill.

Even if WMC had the disposition to get tough (McNutt isn't a believer in administration by fiat) question is raised whether it has the facilities or the time to succeed.

War Manpower Commission relies largely on the United States Employment service and congress never has adequately staffed or financed that agency. Selective Service Headquarters has effectively used the controls it has. But that probably won't control the final decision.

The issue has been confused by the powerful drive by farm congressmen to protect eligibles among their constituents from military draft, contending that breakdown of the Food for Victory campaign would be as fatal as military collapse. That thinking favors WMC.

Support is growing for development, at Federal expense, of a huge port system with emphasis on facilities for handling shipping at New York, New Orleans, San Francisco, Houston, San Juan and Puerto Rico.

Destruction of many leading docks abroad, paradoxically, places them in a position to offer better post-war facilities than can be found in the United States. When rebuilt they will present the most modern structural advantages and will look to a vastly expanded oceanic trade.

"Foreign trade zones" are represented as the principal objective. At Staten Island, N.Y., the first of these built in the United States, a flourishing business still is being done although 80 per cent of warehouse capacity has been taken over for military uses.

In a foreign trade zone, raw or semi-processed goods are fabricated in huge plants by American labor. These may be trans-shipped without payment of customs, in which case the workmen are the gainers; if, after fabrication, the goods flow into commerce here, the Treasury also gains, collects customs fixed at a protective level.

James F. Byrnes, general of the home front, has thrown cold water on optimistic thinking about V-E, following his trip abroad. That and other circumstances are altering estimates of government spending.

Significant figure in this respect is the "guess" by Maj. Gen. Brehon Somervell that war on Japan alone will cost about 75 billion dollars a year. With that tempo sustained, Byrnes and Somervell believe slack in war production will not be perceptible until six months after Japan falls.

Collated spending programs of government point to a 1945 outlay close to 100 billion dollars, with little more than one-half that amount coming into the Treasury from all sources. That spells several more bond issues.

Much significance must be read into Congress' action on the insurance bill approved by both houses with minor differences in detail. Supreme Court long has exercised a veto over the legislative branch, but this was essentially a reversal of that governmental practice.

The high court had said insurance companies operate in interstate commerce, are subject to antitrust laws. Congress stayed the hand of the court by declaring otherwise -- for a timed period, concededly. The judicial mandate is vitiated for three years.

Raised is the interesting question whether this launches a tug-of-war between two of the three co-equal divisions of government. Congress often has amended laws to meet the findings of the court, but the insurance act nullified a decision, even if but temporarily.

# Political and Economic Balance Sheet of ARGENTINA

BY V. L. HOROTH



A view of the Parliamentary buildings in Buenos Aires, Argentina

NOW that the Crimean Conference has solved several thorny international problems, it seems that the time has come to consider also the disturbing issue of the United States relations with Argentina. The settling of the quarrel that has brought about a gradual stifling of the trade between the two countries is in fact a key to Pan-American peace. No normal economic and political relations can exist in the Western Hemisphere until the number one country of North America and the number one country of South America settle their differences.

A good deal of the antagonism between Argentina and the United States can be traced to plain misunderstanding. The present Argentine regime of self-appointed army officers has misrepresented or possibly misconstrued our Western Hemisphere solidarity policy as interfering with their country's sovereignty. Many Argentinos have also mistaken our generous help to Brazil during the war for an attempt to counterbalance the Argentine position in Latin America. There has been, of course, no such intention on our part. The simple explanation is that Brazil's geographical position has been, from the strategical point of view, more important for us than that of Argentina, that Brazil's products, being complementary to ours, have been needed more, and, finally, that she has given us spontaneous cooperation.

On our part we have perhaps failed to allow for Argentina's intense nationalism and her sensitivity as to her position in Latin America. Also, we have not given enough recognition to her aspiration to become economically and financially independent. The extent of the change that has taken place in the Argentine economy since the days of the depression is seldom fully appreciated. By 1942, Argentine industries contributed fully one-half of the country's national income, and the share has increased since. The present military government, after all has been said against it, is really the first Argentine Government to be aware of the importance of industries in the country's economy and to give recognition to this in its foreign policies.

Most of the Argentine industries not engaged in the processing of local agricultural and pastoral

products still have high production costs, as all new industries are likely to have. They have been prosperous during the war because they have had the domestic market to themselves and could even export. The impact of foreign competition on some of these industries after the war may be quite severe, and may even seriously affect the post-war prosperity of the country, in view of the importance which the industries now occupy in its economy. To prevent this, the present Government of army officers headed by General Farrell proceeded last Summer to prepare extensive measures that would secure the domestic market for most of the newly established industries, on the ground that they were needed for Argentina's economic emancipation. In fact, attempts have been made — and it is these attempts that have been regarded with great appreciation in the United States — to obtain a foothold for Argentine industrial products in some of the neighboring countries.

It is claimed that Argentina's efforts to establish what would amount to a customs union with Paraguay and Chile or to further her industrial products in Bolivia are really attempts at economic penetration of these countries, to be followed by political domination. Whatever Argentina's intentions are, the fact is that the country has matured economically during the war and that is now being faced with the problems of any industrialized country. Another evidence of the country's coming of age has been the growth of the Buenos Aires money market. It has at its disposal sizable funds, some of which took refuge in Argentina and are likely to stay there. Buenos Aires is also developing long-term financing facilities and unquestionably will be an important factor in the future development of South America.

Incidentally, some of the Brazilian industries that have over-expanded during the war are likely to be on the lookout for markets in the neighboring countries. The possibility of future competition between certain Argentine and Brazilian industries (textile and chemical) opens quite a new field for speculation. However, the economies of the two countries are really complementary as the great expansion of trade between them during the present war has

## Argentine Trade (Adjusted Figures)

(In Millions of Pesos)

Exports to:

	United States	British Empire	Latin America	Others	Total Adjusted	Total Unadjusted
1937-'39	221	577	148	811	1,757	1,761
1941	562	553	221	197	1,533	1,464
1942	492	689	322	187	1,690	1,789
1943	498	894	461	203	2,056	2,192
1944	510-p.					2,350-p.

Imports from:

	United States	British Empire	Latin America	Others	Total Adjusted	Total Unadjusted
1937-'39	284	371	141	611	1,407	1,449
1941	379	314	292	110	1,086	1,276
1942	329	264	332	141	1,066	1,274
1943	150	222	292	135	799	942
1944	120-p.					1,010-p.

p.—preliminary.

Source: 1937-'43 figures: Annual Report (Ninth) of the Banco Central, p. 24.

shown. The best answer to Argentina's fear that we are building up Brazil against her, is a generally prosperous Latin America which will afford a correspondingly better market for Argentina's products.

Returning to the United States-Argentina dispute, one may point out that misunderstandings have not been the only cause of the antagonism between the two countries. There have been some real grievances too. From the viewpoint of the United States, some of the decrees issued by the "colonel-clique" have been anti-foreign capital, and in dealing with press, religion, education, etc., they have distinctly smacked of the familiar Nazi methods. The Argentina army has more than doubled in size, a development which, together with the attempts at economic penetration, has alarmed the neighboring countries, so much so, that Buenos Aires felt obliged to come out with a denial of warlike intentions.

From the point of view of Argentina, the main grievance has been that our non-recognition policy has been arbitrary. This is an undeniable fact, for we extended our recognition to the overthrown Castillo Government—not mentioning the Ubico Government in Guatemala, that of del Rio in Ecuador and of Carias in Honduras, all of which practiced democracy as little as the self-appointed army officers in Buenos Aires.

The present time is perhaps as propitious as any for the reconsideration of the attitudes of the two leading countries of the Western Hemisphere. And there is no time to lose if we are to neutralize the consequences of such measures as the freezing of the Argentine gold assets in this country, the withdrawal of our shipping from Argentine ports, and the withholding of export licenses. The effect of these moves has been shown in Argentine imports from the United States, which in 1944 declined to the equivalent of about \$44 millions from \$54 millions in 1943 and \$119 millions in 1942.

The importance of Argentina for our post-war trade need hardly be emphasized. In the five year period 1936-40, she was our second best market in Latin America (Mexico was the first), taking on a yearly average of about \$83 million of our goods. In the same years she was the third largest source of our imports from Latin America (after Cuba and Brazil), sending us on an average of about \$78 million of goods annually. This was in spite of the

fact that her products were largely competitive with ours.

Argentina is probably the most modern of the Latin American countries, and her predominantly white population has the highest standard of living south of the Rio Grande. Her national income, estimated currently (1944) at about 15 billion pesos, or roughly \$3¾ billion, accounts probably for 25 to 30 per cent of the total income of Latin America, although her population is only about 10 per cent of the Latin American total.

In the first years of the war, Argentina appeared to be hit hard by the loss of European markets for grains, including linseed, formerly one of the mainstays of her economy. Though the readjustments have been difficult and costly to the National Treasury, Argentina has managed to become quite prosperous in the past four years, chiefly (1) by capitalizing on the exports of meat, hides and certain strategic materials, and (2) as a result of great industrial expansion that would have been even more extensive had it not been for the difficulty of obtaining machinery and fuel.

In general, the wartime prosperity in Argentina has been less artificial and less flashy than the boom in Brazil or Mexico and, more recently, in Cuba. As a matter of fact, the amount of inflation in Argentina, when measured roughly by the relation of the output of goods to the total means of payment (deposits and notes in circulation), is probably one of the smallest in Latin America. It is true that the wholesale price level rose about 100 per cent between 1939 and the end of 1944 (as compared with less than 40 per cent in the United States). However, the rise has reflected chiefly the scarcity of imported products and the high prices of domestic manufactures as a consequence of the shortage of fuel and the lack of skilled labor and, of course, spare parts for machinery. In contrast, the prices of Argentine agricultural products are still at the pre-war level. Therefore, the cost of living index, being heavily weighted by food items, was at the end of last year but 10 per cent above 1939, as will be seen from (Please turn to page 598)

## ARGENTINA: Certain Economic Indicators

	1939	Average 1943	Nov. 1944	Increase Per Cent
Wholesale prices (all):	100	187	199	+99
Agricultural prices	100	104	101	+1
Non-agricultural prices	100	204	218	+118
Cost of Living:	100(a)	113	110	+10
Foodstuffs, retail prices	100(a)	119	115	+15
Wages:				
Wages paid out	100	136	160(b)	+60
Hourly earnings	100	117		
	Dec. 1939	Dec. 1943	Nov. 1944	
(All figures in Millions)				
Notes in circulation	1,191	1,886	2,263	+90
Deposits of commercial banks	3,913	5,957	7,051	+80
Total means of payment	5,104	7,843	9,314	+82
Gold and foreign exchange:				
Pesos	1,570(c)	3,766	4,500(c)	+180
Approx. dollar equiv.	512(c)	1,211	1,415(c)	
Net value of national production:				
(1,000,000 pesos)	1939	1942		
Agricultural and pastoral	2,400	2,700		
Industry	1,750	2,650		

(a) Base Jan.-June 1939 = 100; (b) October 1944;

(c) partly estimated.

# \$13 Billion Worth of Public Works Planned for Postwar by States and Municipalities

BY P. T. SHELDRICK

IF a per capita tax of \$24 were levied on everyone in the United States for the principal object of providing postwar employment, what an uproar of debate would arise over the wisdom or necessity of such a measure. Don't worry, however, about "water over the dam". The equivalent of such a tax has either been already paid, or will have been at the end of the current year. At that time, tax proceeds amounting to the tidy sum of about three billion dollars will rest in State treasuries all over the country, much of it carefully earmarked for postwar expenditures on job-creating public works when and as conditions permit. This money represents a surplus of normal tax income collected by thrifty States above tightly held-down outlays during years of war, in some cases by deferred repairs to buildings and roads, in others by genuine economies of administration.

Not all of the big nest-egg, of course, will be spent for repairs and new construction, nor have all the States been equally thrifty or as energetic in postwar planning. On the other hand, the substantial sum mentioned does not include similarly accumulated reserves of many cities and other political subdivisions. To further illustrate the overall trend of States and municipalities toward a goal of financial strength, consider the fact that during the past two years they have additionally paid off about \$2 billion of tax serviced debt, and from their war swollen reserves will undoubtedly continue to strengthen their finances by still further debt retire-

ment. In the year, cash reserves in state treasuries will more than cover their total outstanding bonded debt of \$2,768,000,000. As regards cash position, credit and potential borrowing power, the states, and a good many municipalities, are by and large in the most prosperous condition of record. Reassuring and pleasant as all this may sound, however, such enormous spending ability could prove disastrous if unwisely

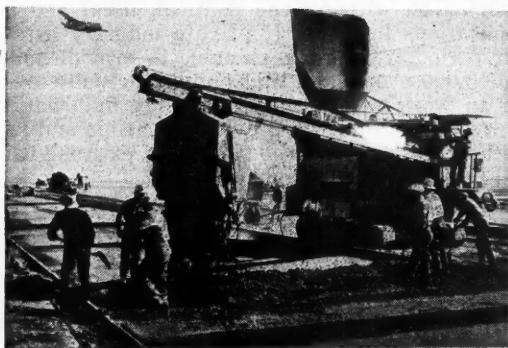


Road building will be widespread

added to the mountainous savings of the public already threatening carefully planned curbs against inflationary pressure when the lid of wartime restrictions is lifted.

The above brief recital covers only some of the factors making for a potential spending spree. Aside from direct construction planned by the Federal Government, proposed public works projects already total over \$13 billion, of which over \$5 billion are in the definite planning stage. The ultimate grand total may well run even higher. In any event, the contemplated backlog to provide jobs is assuming realistic and ample proportions.

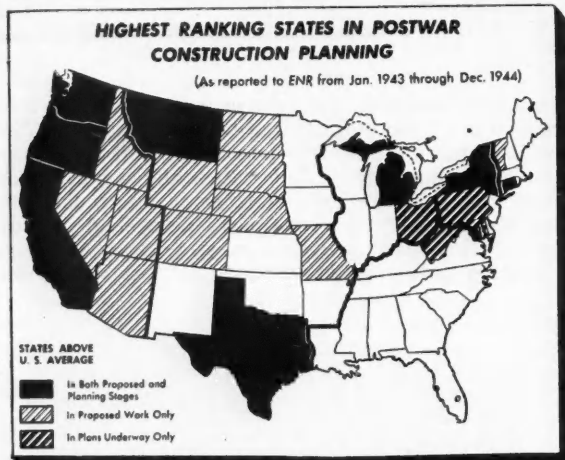
A reassuring aspect is that many Federal and State officials are increasingly inclined to a sober approach to the postwar public works problem. As early as 1942 a Council of State Governments was formed, to which every state in the Union now belongs. The object of this body has been to coordinate the policies of the different States not only during war but in postwar planning as well. Among the recommendations have been maintenance of taxes to build up reserves, the retirement of debt, and preparation of postwar programs to offset possible depression, all of which policies have been fully approved, although the attitude of some States has been tempered by local conditions and ideas of wide variance. The holding of any surplus reserves by political office holders is a novelty in many sections of the country, often creating public pressure for an immediate reduction in taxes. Compliance



Airport construction will take an upswing

ment. The State of Massachusetts, for example, has reduced its bonded debt from \$41 millions in 1939 to \$61½ millions in 1944, and still has a surplus of \$10 millions left in its treasury. From New England to California and from the Canadian border to the Gulf, war has brought debt decline or opulence to the States in direct contrast to the fiscal experience of the Federal Government. By the end of the current

with such demands caused California, for instance, to slice current tax bills by \$120 millions, though her postwar planning is active and substantial. Similarly, as additional taxes eventually will have to be levied after the reserves have become exhausted, protests from pressure groups in some sections have arisen against such postwar planning. Above all, the question of securing Federal aid to help pay for the projects, or even the expenses of preparing



plans, have aroused wide divergence of opinion. To stimulate planning, however, the President has already made available a \$500,000 fund for allocation to States and municipalities to meet half of the engineering preparation expense of approved projects.

From some directions, also, there is loud demand for all the Federal aid which can be squeezed out of Washington; others proudly insist that they will finance themselves without any help at all; the remaining group is altogether silent. It seems pretty clear, therefore, that while it is relatively simple to propose huge expenditures, final decision of who will have to foot the bill may, as a practical matter, severely reduce current estimates from their dizzy heights. The public by now has become exceedingly tax conscious, thus while large cash reserves will certainly enter the spending stream, suggestions of sharp expansion of local public debt beyond really urgent requirements will experience tough sledding at the polls.

The most practical aspect of the public works program, involving large expenditures and providing, if properly handled, a substantial measure of employment, has to do with road construction and repairs. During four years of war, with all the wear and tear of heavy traffic, repair work has been held down to abnormal levels. In every section of the country, both urban and rural, the essential need of bringing road facilities up to date will require very large outlays and the services of many workers, the latter not only on actual road work but even more in the supply industries, such as cement works and steel mills, in plants making road building equipment, and in engineering concerns. New road construction has been practically nil during the conflict, except in connection with war plants and housing projects for workers. The opportunities for rapid expansion of highway systems and connecting arteries are limited only by the amount of

funds which can be made available for them by the taxing units through which they pass, plus much emphasized State and Federal aid.

As the fundamentals of road construction include ability to start a project with unusual speed, or for that matter to stop it promptly if no longer thought desirable, such enterprise lends itself admirably for coping with unemployment problems. With this in mind, Congress passed the Highway Act in 1944 as a stimulant to public construction work. The various States were invited to designate certain existing highways within their borders which could be coordinated and transformed into super-highways criss-crossing the country, of a total length of not over 40,000 miles. Federal aid to the extent of \$1½ billion was provided by the Act to be allocated on a fifty-fifty basis in sharing construction costs, and to be paid out at a rate of \$500 million per annum over a three year period. This would accordingly facilitate at least \$3 billion of road building during the time indicated, and provide jobs for perhaps 500,000 workers in one way or another.

The question arises, however, whether such a project could be accurately timed and controlled to serve as an effective cushion only during a definite emergency caused by an over-supply of labor. Wartime shifts of population have been on an immense scale, and when munition plants and shipyards close their doors, further population movements will be inevitable until permanent employment is found. The rapidity with which this can be accomplished will be an important factor in our overall industrial planning with its essentials of maximum production and full employment. From this point of view, the lure of a well paid outdoor job on public projects in sunny California or near the beaches of Coney Island, for instance, might keep many a skilled worker from settling down where he belongs, thus delaying post-war resettlement of our labor force.

### Fiscal and Social Implications

Deserving of perhaps still closer study is the fact that all wages paid for public works stem basically from taxes, with all the political, fiscal and social implications involved. If private industry after the war period really proves unable to provide jobs for 57,000,000 people and that number actually are willing to work where and when they find work, the highway program will provide a sensible and speedy method of absorbing the slack, but extreme caution will be needed in its application.

Aside from road construction, other large public works programs are on the docket. It is claimed that water supply deficiencies throughout the country are causing an annual \$50 million economic loss. Needs of water supply facilities are estimated at \$800 million and appear in the "urgent" classification, with \$354 millions worth of projects already in the blue print stage. Losses from sewerage pollution, largely of industrial origin, run up to \$100 million and plans for sewerage improvements call for outlays as high as \$2¼ billions with about a third of this work in definite preparation. The cost of contemplated bridges eventually will amount to over a billion dollars—\$800 million in connection with highway work and \$250 million in the cities. \$475 million of latter work (Please turn to page 601)

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1945 SPECIAL

# Re-Appraisals of Earnings and Dividend Forecasts

## PART III

**Prospect and Ratings for Oils, Machinery,  
Machine Tools, Aircrafts, Air Transport**

TO maintain a satisfactory dependable income from security investments and to protect — if not enhance — capital values in the face of constantly changing conditions has always been a primary investment consideration. In this era of rapid and frequently profound shifts in outlook — with often incisive repercussions on investments — the need for watchfulness hardly requires emphasis. More than ever, investors must be alert, must keep posted on trends and developments to guard against risks and take advantage of opportunities. Methodical review and judicious stock-taking is indispensable for investment success.

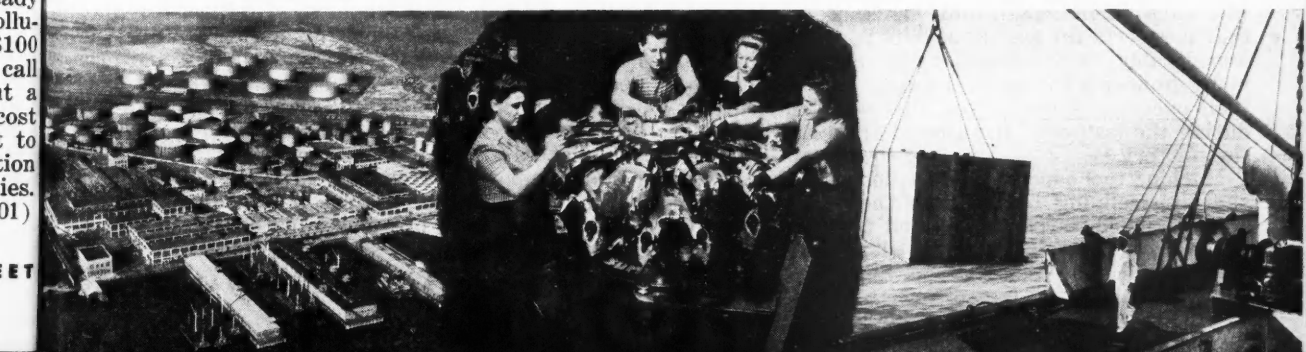
Equity values are never static. Even under normal conditions, changing circumstances can affect the investment status of securities in an entire industry. It is doubly true today as we head into the decisive phase of the war in Europe and approach the drastic economic changes that will inevitably follow the war's end. To keep informed and prepared against contingencies has always paid off. It will be no less so in the period of uncertainty which will mark our final passage through war to peace.

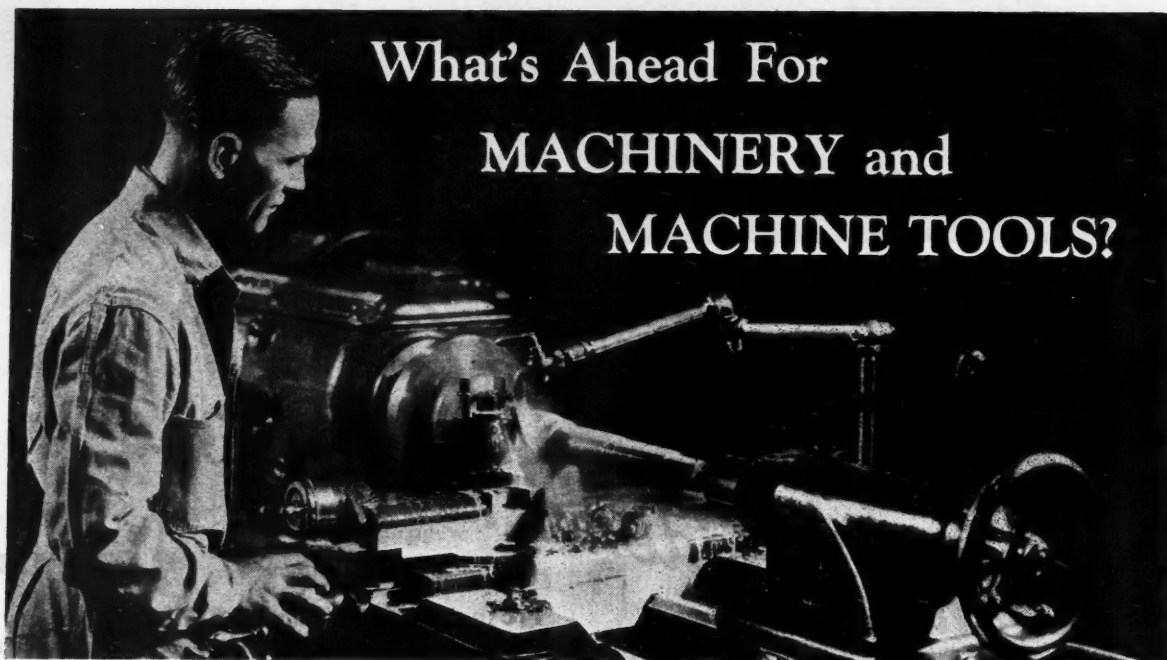
It is to serve this need for watchfulness that the Magazine of Wall Street presents its Security Re-Appraisals and Dividend Forecasts at six months' intervals in addition to its regular coverage of economic and industrial developments of importance to investors. To make this service of maximum use-

fulness to readers who collectively own shares in many hundreds of corporations, and especially to permit convenient comparative evaluations of holdings, we have endeavored to present as concisely as possible the most pertinent information and ratings on the maximum possible number of companies. Each tabulation is preceded by an amply extensive analysis of the position and prospects of the respective industry. When studied jointly and carefully, we believe that the material offered constitutes the most practical and useful "bird's-eye" view that can be devised.

The key to our ratings of investment quality and current earnings trend of the individual stocks — the last column in the tables, preceding comment — is as follows: A+, Top Quality; A, High Grade; B, Good; B—, Medium; C+, Fair; C, Marginal; while the accompanying numerals indicate current earnings trend thus: 1—Upward; 2—Steady; 3—Downward. For example, A1 denotes a stock of High Grade investment quality with an Upward current earnings trend.

Stocks marked with a W in the tabulations are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter X. Purchases for appreciation should, of course, be timed with the trend and investment advice regularly offered in the A. T. Miller market analysis in every issue of this publication.





# What's Ahead For MACHINERY and MACHINE TOOLS?

BY PHILLIP DOBBS

**R**ECENT above average market performance of machinery and machine tool stocks, some registering new war-time highs, seemingly points to confidence that the earning power of this historically volatile industry will continue at satisfactory levels regardless of immediate postwar impacts.

Whether or not revived optimism over the industry's outlook is fully justified in the face of less sanguine counter-opinions must however remain a matter of individual judgment, as only postwar conditions can provide the answer.

The roots of the machinery industry extend deep into our economic structure, affecting in increasing measure every phase of our industrial progress. Merely to accept the past spotty record of most machine tool concerns as proof that equally volatile performance is inevitable in the years ahead may be as unwise as to deny the possibility of a prosperous postwar economy and world-wide technological progress. True, machinery makers have always been particularly sensitive to cyclical swings in our economy. With a market chiefly confined to producers of factory-made goods who expand only in periods of prosperity and under less satisfactory conditions coast along with what capital equipment they have, the industry had its ups and downs and no doubt will have them again. But signs are multiplying that prospects for the immediate postwar years are considerably better than earlier anticipated, that many problems formerly clouding the outlook have been overemphasized. Even the near-term outlook, during the last year, has turned from drab to quite satisfactory.

Machine tool concerns, not so long ago faced with sharply declining business as the war production effort reached its peak, now find themselves unable

to increase shipments to levels commensurate with the sharply rising essential tool business coming their way. At the present rate of billings they have over seven months business on hand. Two reasons prevent their working this backlog off faster: One is lack of manpower, the other is military pressure for the industry's production of direct war items which it undertook when tool orders fell off sharply more than a year ago.

Estimates of 1944 machine tool business made by WPB over a year ago fell far short of the actual volume done, largely due to unexpected war demands. A conservative estimate of a total volume of some \$325 million worth of tools or roughly one-fourth the 1943 volume was pushed up close to a respectable half billion dollars by the year's end. Twice during 1944 there was a sudden spurt of orders that caught the industry and the WPB off guard. The first, last spring, was caused by the decision of the Army to greatly enlarge the heavy munitions program, by extension of heavy truck production, the new landing craft program and changes in the aircraft program. The second spurt was due to a combination of factors: New types of munitions, mostly of the rocket and mortar shell variety, \$120 million worth of Russian Lend-Lease orders and a go-ahead signal from WPB lifting most restrictions on acceptance of unrated orders for peace-time reconversion. In short, current and prospective business for the duration is assured at levels which while considerably below 1943 peaks will nevertheless permit fairly satisfactory earnings. What about the longer range outlook?

Most important from the investment standpoint is the indication that the postwar readjustment will be less severe than previously feared. Foremost con-

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cern is the surplus disposal question, presently taking on more of an academic tinge in view of the recent new step-up in war production activities but inescapable in the long run. The Government now holds title to some 600,000 machine tools, according to latest figures, and both Government and the industry are worrying about their eventual disposal. Much of these tools will be retained by arsenals and other Government establishments, and more will be junked, leaving a surplus problem of about 250,000 to 300,000 tools. Belief is that the bulk of these can be placed without undue disruption of normal operations, as not only domestic replacement demand but particularly foreign demand should be sizable. While the foreign market may be highly selective, export sales of tools including second-hand machine tools will be an important factor.

Makers of light machine tools, especially, are optimistic. Their backlogs now range between six months and two years and they expect that the re-opening of markets which have been cut off by war-time restrictions, together with heavy replacement and export demand will keep them busy for several years after the war.

Foreign markets, it is confidently expected, will bring important relief from postwar problems. Initial signs that this expectation is well founded are plentiful. Toward the end of last year, neutral Sweden and Switzerland began inquiring for American machine tools for the first time since the war started. French and Belgian missions are setting up purchasing departments and France is reported greatly interested. Russia has made heavy inquiries and under the fourth Lend-Lease protocol is to receive \$120 million worth of machine tools but wants far more.

#### Foreign Demand Potentials

Potential foreign demand is not necessarily limited to the urgent needs of war-affected countries. If the much talked-about industrialization of a good many budding nations continues at the pace indicated as for instance in Argentina, Brazil, Mexico, India, China and others, substantial machinery orders should accrue to the American machine tool industry from these quarters for years to come.

At home, postwar demand for new machine tools will be stimulated by development of machines embodying the latest technological devices. Many tool

builders have effected important improvements, and the application of electronics will further increase tool efficiency and spur postwar demand in numerous fields. The need for successful competition in the face of rising production costs will more than ever focus attention of every industry on new developments calculated to reduce man-hours per unit of output. The machine tool industry's postwar planning is mainly along these lines and since modern tools will be relatively high-priced, dollar sales may well be substantial.

#### Domestic Demand Outlook

American industry as a whole will emerge from the war period with large cash resources and keenly alive to competitive problems in resuming peace-time operations. Cost factors will be paramount, and will require the most up-to-date production machinery for successful competitive efforts. Thus apart from replacement and modernization of existing machinery, prospects point to development of considerable demand for new original equipment. Another straw in the wind is seen in the result of a recent survey showing that in nearly half the larger cities of the country, some degree of plant expansion is definitely planned for the postwar. It should afford a further, perhaps quite substantial source of orders for the machine tool industry. This ties in with current emphasis on the need of vast sums of venture capital for postwar business, something which can hardly fail to find reflection in a host of smaller manufacturing enterprises which may spring up all over the country. Many of these, with less need of skill generally associated with closely calculated production costs, may serve as a useful cushion to the machinery market by absorbing not only substantial quantities of surplus machinery but a good deal of new equipment as well.

The general industry trend towards diversification with an eye to further growth or long-term stabilization of earning power is another element supporting potential postwar demand for machine tools, notably high-priced specialized equipment. It is a factor that must not be underrated. Machine tool companies themselves are alert to the advantages accruing from diversified production, hence a number of companies are planning to enter other industrial machinery fields, having less erratic markets, and even consumer durable goods fields normally affording far stabler outlets. (Please turn to page 602)

#### Position of Leading Machinery Stocks

	In Dollars Per Share					Price Ratio to			Investment
	Book Val.	Net Curr. Assets	1936-39 Ave. Net	1943 Net	1944 Net	1936-39 Ave. Div.	1944 Div.	Earnings for 1944 1936-39	
Babcock & Wilcox	\$45.83	\$32.43	\$0.41	\$4.56	\$4.40 E	\$0.67	\$1.50	7.5 81.1	C+2
Bucyrus-Erie	12.64	12.33	0.80	1.39	1.41 Je	0.31	0.70	10.8 19.0	C+2
Buffalo Forge	16.14	9.14	—	3.77 Nv.	3.50 E	—	1.80	6.8 —	C+3
Monarch Machine Tool	23.10	12.30	1.87	3.83	3.00 E	1.07	2.75	9.5 15.2	C+2
U. S. Hoffman Machinery	23.23	17.66	0.54	1.17	1.50 E	—	0.75	11.3 31.4	C+2

Additional table on following page

Year ended Je—June 30, Nv—November 30, E—Estimate.

## Position of Leading Machinery Stocks

	In Dollars Per Share					Price Ratio to Invest- Earnings for 1944 1936-39	Rating	COMMENT
	Book Val.	Net Curr.	1936-39 Ave.	1943 Net	1944 Net			
Amer. Machine & Fdry.	\$12.20	\$5.47	\$1.03	\$1.23	\$1.10 E	\$0.92 \$0.80	24.1 C+2	Continued large sales during war, with prospect favorable for postwar activity, mostly in special machinery field. Current earnings slightly down but present dividend safe.
Black & Decker	20.38	12.49	2.00	1.68 Se	2.23 Se	0.81 2.00	11.5 12.8 C+1	Sales of electric tools maintaining large volume, with fair buildup of deferred demand from industrial sources. Earnings holding up well. No change in dividend payment indicated.
E W Bliss	31.79	21.21	0.38	3.15	2.50 E	— 1.00	8.1 53.3 C+3	Sales and net earnings currently shrinking, but near prospect of civilian production may curb trend. Postwar outlook good with earnings probably above prewar. Dividend should continue.
Bullard	26.36	11.13	1.67	3.42	0.50 E	1.06 0.50	45.0 13.4 C+2	Slack in machine tool demand cut into profits, but outlook for 1946 somewhat better. Recently resumed small dividend payment.
w Caterpillar Tractor	31.30	22.68	3.69	4.36	4.07	2.12 2.00	12.3 13.6 B2	Costs and taxes reducing net but \$2 dividend amply covered. Outlook bright for satisfactory business during war, and also thereafter from agricultural, construction and foreign sources.
Chicago Pneumatic Tool	12.94	31.37	1.54	4.20	3.10 Se	— 2.00	7.7 15.5 C+3	Favorable postwar prospects but probable decline in 1946 net. Present dividend not secure. Foreign business important.
w Fairbanks Morse	46.18	28.96	3.12	4.65	4.75 E	1.12 2.50	10.1 15.4 B-2	Sales and net earnings holding up well, even after liberal contingency reserves. War sales should continue large, with fair profit margin. Postwar demand outlook promising.
Food Machinery	44.32	41.07	2.86	5.02 Se	8.61 Se	1.81 1.75	8.1 24.4 B1	Has large backlog of war orders and is increasingly active in civilian production. Present high earnings level will shrink at war's end but strong position assures good outlook. Dividend secure.
Foster Wheeler	34.59	23.08	def.	9.03	8.50 E	— 0.50	3.9 — C+2	War profits continue high, but poor results in prewar years make future questionable. Small dividend safe.
w Ingersoll Rand	39.39	28.30	6.89	6.78	6.00 E	5.87 6.00	19.3 16.8 B2	Strong cash resources warrant liberal dividend although narrowly earned. Longer range prospects good.
Link Belt	31.49	21.73	2.79	4.40	4.05 Se	2.06 2.00	11.1 16.1 B2	War-time earnings, dividends should continue around present levels. Trend to civilian production already started. \$2 dividend appears secure. Strong postwar demand for diversified products appears likely.
Mesta Machine	15.14	4.06	3.72	2.80	3.00 E	2.87 2.50	12.5 10.0 C+3	Liberal dividend should continue during war. Longer term outlook moderately constructive.
National Acme	22.58	19.12	1.44	4.07	2.60 E	0.62 2.00	9.0 16.1 C+3	Machine tool sales dropping and continuance of present dividend rate questionable. Postwar sales prospects to automobile industry brightens longer range outlook.
Niles-Bemont-Pond	19.22	12.93	1.47	2.86	3.00 E	0.37 1.50	5.3 10.9 C+2	1944 earnings about equal previous year, although tool sales sharply off. Dividend currently safe. Postwar outlook somewhat clouded but strong trade position and increased diversification constructive elements.
United Engineering & F.	15.91	9.53	3.61	3.29	3.25 E	3.06 2.00	10.7 9.6 C+2	Net slightly off but not endangering current dividend. Past history good, but postwar decline in orders for steel making machinery probable.
Worthington Pump & Mach.	42.77	76.87	0.82	8.13	7.25 E	— 1.50	5.9 52.6 C+1	War earnings high, backlogs satisfactory. Dividend may be raised. Large foreign demand may bolster immediate postwar sales but cyclical influence normally pronounced.

Year ended Se—September 30, E—Estimate.

# Divergent Trends Among the Oils

BY GEORGE L. MERTON

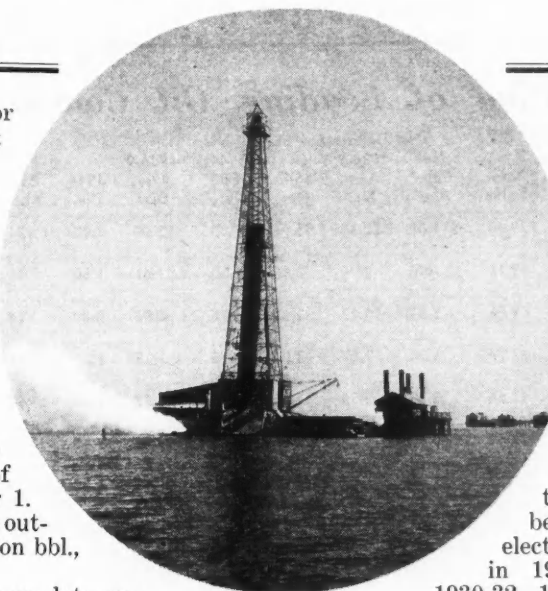
THE never ceasing quest for new oil fields continues at an increased pace as our military services call for ever mounting supplies of petroleum products. In this quest much progress was made last year when the domestic petroleum industry exceeded any previous period in the expansion of its operations in all divisions. The increase of 190,000,000 bbls. in crude oil output in 1944 was more than half the production of the last year of World War I. In 1944, total domestic crude output came to fully 1.685 million bbl., a new all-time peak.

While this and other volumes data are impressive, it is necessary to go deeper than figures to envisage the activities of an all-out year in petroleum. It is more fully explained when considering, additionally, the full-scale application of the industry's technique, some of which have been years in the making.

In the matter of reserves, new fields accounted for 204,650,000 bbls.; discovery of much of this increment was due to perfections in exploration practices without which it would never been found. But of greater immediate importance is the fact that 1,943,306,000 bbl. were added in 1944 to available resources because of extensions of existing fields, new drillings and revisions of estimated potentials of existing pools. It somehow gives the lie to earlier fears that we are approaching exhaustion of our domestic resources.

The petroleum industry proposes to drill nearly 28,500 wells in 1945 with availability of drilling equipment the principal determinant of actual achievement. Whatever the latter, it should be fully adequate to meet increased requirements. Recent concern over our ability to meet enormous war demands is at any rate a far cry from the days of overproduction in the 1920's and early 1930's. It reflects the fact that for the past seven years, new discoveries in the U. S. A. have failed to keep pace with withdrawals from proved underground reserves, but this problem, it can be stated with confidence, is on its way towards a solution.

The oil industry is about the fourth largest in-



dustry, exceeded only by agriculture, transportation and utilities. The gross capital invested in the industry is estimated at around \$18,-000,000,000. The list of oil stocks on the New York Stock Exchange and the Curb Exchange is the largest individual group, with the possible exceptions of automobile accessories and utilities. The production of crude oil has about quadrupled since the close of World War I though the increase has not been as consistent as that of electric output. Production declined in 1924 and during the period 1930-32, 1938 and in 1942 — otherwise there were increases in each year.

During the earlier days of the industry, operations were much more concentrated than at present. John D. Rockefeller, Sr. and his associates were able to keep a close grip on the industry up to 1911, when the old Standard Oil Company of New Jersey was broken up by Supreme Court fiat. The numerous companies "split off" the trust continued to prosper, but they were not dominated by a single management group, and numerous new interests entered the field, resulting in a growing, competitive struggle. The discovery of a series of oil fields, together, with the rapid growth of the automobile and the event of World War I, resulted in large profits, which eventually brought about a heavy over-investment in the industry, particularly in marketing end.

The huge waste of natural resources resulting from over-production by numerous small owners seeking to "cash in" on new discoveries resulted in increasing pressure for Government regulation during the 1920's. After some years of experimentation, State and Federal regulations were eventually developed which imposed a satisfactory measure of control over production. These included State allowances on production, and Federal control over shipments through the Connally "Hot Oil" Act and other measures. Despite this progress, the Federal Government in 1940 brought suit under the Anti-Trust laws against some 22 major oil companies and a number of affiliated companies. This litigation has been delayed until after the war, so as not to interfere with wartime operations of the industry.

In the past year or so there has been a great deal of discussion about petroleum reserves and the need of developing new production. Drilling activity declined sharply in 1942-43 due to war conditions and shortage of raw materials. An average of only 859 producing oil wells were brought in in 1942 compared with a pre-war average of nearly twice that many, and the 1943 figure was even lower. However, in 1944 activity was sharply increased, and nearly half the lost ground was recovered. This increase was materially helped by increased deple-

tion charges permitted to the industry. A company with a steady income subject to a maximum tax of 85½% might well be willing to gamble more extensively on "wildcatting" since it could charge off much of its development cost against other income, with large tax savings.

Production of crude oil in 1944 is estimated at about 11% over last year and some moderate increase for 1945 is envisaged. Reserves are probably still in the neighborhood of 20,000,000,000 barrels or about 12 years' supply at the current rate of

## Position of Leading Oil Companies

	Working Capital (Mill.)	Book Value	In Dollars per Share	1936-9 Aver. Net	1943 Net	1944 Est. Net	1936-9 Aver. Div.	1944 Div.	Price About	Div. Yield %	Price Ratio to Earnings for: Est. 1944	Avg. 1936-39	Invest- ment Rating
Amerada Petroleum .....	\$8.6	\$29.40	\$11.00	\$2.30	\$6.06	7.00	\$2.00	3.00	124	2.43	17.7	47.6	B1
wAtlantic Refining .....	44.6	69.16	Nil	2.79	3.79	5.50	1.41	1.50	36	4.18	6.6	11.0	C+1
Barnsdall Oil .....	5.6	9.06	2.53	0.97	1.62	1.75	0.93	0.80	24	3.33	13.7	17.9	C+1
Continental Oil .....	30.3	27.24	6.00	1.87	3.01	2.75	1.25	1.20	34	3.52	12.4	17.4	B3
Gulf Oil .....	101.2	43.66	5.33	2.38	3.23	5.00	1.13	2.00	52	3.85	10.4	20.6	B1
Humble Oil .....	70.7	20.19	0.96	2.04	2.54	3.00	1.88	1.50	50	3.00	16.7	10.4	B1
Mid-Continent Pet. ....	32.7	37.23	17.60	1.85	3.53	3.75	0.96	1.40	29	4.81	7.7	14.9	B2
wOhio Oil .....	30.8	15.82	3.03	0.54	2.14	2.50	0.45	1.00	20	5.00	8.0	35.8	B1
Panhandle P. & R. ....	0.7	3.17	0.19	0.15	0.44	0.50	None	0.10	5	2.00	10.0	30.8	C2
wPhillips Petroleum .....	24.5	43.60	Nil	3.42	2.88	3.75	2.31	2.00	48	4.17	12.8	13.8	B1
Plymouth Oil .....	0.54	9.59	Nil	2.37	2.66	2.00	1.34	1.00	20	5.00	10.0	8.0	B2
Pure Oil .....	32.1	30.22	Nil	1.33	2.50	2.65	0.13	1.00	19	5.27	7.2	13.2	B2
Seaboard Oil .....	4.51	8.16	1.23	1.72	1.58	1.40	1.00	1.00	27	3.73	19.3	13.8	B2
Shell Union Oil .....	90.2	18.89	Nil	1.12	1.82	2.25	0.61	1.50	28	5.36	12.5	23.8	B1
Sinclair Oil .....	89.5	22.90	1.95	0.94	1.85	3.00	0.83	0.675	17	3.97	5.7	15.6	B1
Skelly Oil .....	11.08	56.65	0.60	3.94	5.57	7.00	0.81	1.75	51	3.43	7.3	10.4	B1
Socony Vacuum .....	271.3	22.17	4.65	1.40	1.15	1.85	0.63	0.75	17	4.43	9.2	10.1	B1
wStandard Oil Calif. ....	111.4	45.98	5.50	2.14	2.78	3.10	1.40	2.00	42	4.78	13.6	18.1	B1
Standard Oil Indiana .....	186.6	49.59	11.00	2.70	3.31	4.00	1.74	1.50	37	4.06	9.3	12.5	B1
xStandard Oil New Jersey ..	585.9	52.00	3.98	3.88	4.53	5.25	1.63	2.50	60	4.17	11.4	15.0	B1
xStandard Oil Ohio .....	25.4	77.54	Nil	4.22	5.31	8.00	1.50	2.50	57	4.40	7.1	10.5	B1
Sun Oil Co. ....	57.1	47.55	5.65	2.73	4.56	5.50	1.00	0.91	59	1.54	10.8	20.8	B1
Texas Co. ....	176.7	52.51	4.14	3.58	3.83	4.75	1.94	2.50	54	4.63	11.4	13.6	B1
Tidewater Assoc. Oil .....	58.3	20.27	Nil	1.36	1.98	2.50	0.86	1.00	19	5.28	7.6	12.3	B1
xUnion Oil of Calif. ....	32.2	31.43	Nil	1.68	1.56	1.65	1.16	1.00	22	4.55	13.4	11.9	B1

\*—After deducting senior securities and minority interests.

production. Indicated reserves have increased nearly 5,000,000,000 since 1937 or nearly one-third, but this is said to represent increased estimates of proven reserves in known fields, while the actual amount of newly-discovered oil has failed to equal withdrawals in any of the past seven years.

While there has been an increase in production in the past year due to military requirements, this has been partially offset by restrictions on domestic usage. About one-third of recent output has been diverted to direct military use. In the post-war

period, demand may be temporarily affected by release of heavy Government stocks and there may be a substantial excess of high-octane gasoline. However, a good part of this excess can probably be absorbed by replenishing inventories for consumers and export demands will doubtless be large to rebuild reserve supplies abroad.

Petroleum demands are expected to average around 5,000,000 barrels daily in 1945 compared with the production rate of 4,700,000 barrels in the last quarter of 1944. In (Please turn to page 595)

## Comment

High-priced issue with small number of shares, no leverage and low yield. A producer only, and successful in developing new oil deposits; proven reserves said to have increased each year since 1930. No foreign income, but extensive undeveloped Venezuelan leaseholds.

Large Atlantic Seaboard refiner and distributor. Earnings erratic due to capital leverage but currently favorable. Produces about half its requirements. Dividend yield fair, and present price earnings ratio favorable (lowest in accompanying table for 1944 estimate).

Medium size producer with fair earnings and dividend record. Company has not benefitted greatly by war conditions. No capital leverage, hence stock has little appeal on current operations, though increasing reserves may afford long-pull speculative possibilities.

Medium size, integrated company, with good growth record and fair financial position. Earnings rather stationary past four years, following substantial jump in 1941. Dividend yield moderate but price earnings ratio reasonable. Accounting practices conservative and crude oil position good.

Large Mellon-controlled company, with ultra-conservative policies. Total properties about 11 million acres, with large Venezuelan holdings. Produces about 83% of its refinery requirements. Price earnings ratio low based on estimated \$5 earnings, making stock relatively attractive.

72% owned by Standard Oil of N. J.; principally a producer, with probably the biggest U. S. reserves of any company. Excellent earnings and dividend record, some capital leverage. Dividends paid since 1918.

Medium-size integrated company. Earnings irregular, despite lack of capital leverage. Working capital per share exceptionally large. Yield satisfactory, and price earnings ratio low making the stock statistically attractive. Crude oil position appears slightly unfavorable.

Medium-size producer with large reserves; no foreign business. Stock has moderate leverage due to debt. Earnings and dividend record quite irregular, but currently improving. Fairly low price-earnings ratio and relatively good yield.

Small producer and refiner, principally in Texas. Had string of deficits in 1929-35 and 1940 but earnings improved in 1943-44. Small dividend. Despite reasonable price earnings ratio, stock has small leverage and does not appear especially interesting.

Company has had a remarkable growth record though net earnings have not gained proportionately. Yield and price earnings ratio make stock moderately attractive, considering apparent dividend stability and growth prospects. Considered one of the most complete low-cost units.

Small producer in Texas Gulf Coast territory. Steady earnings record and dividends since initiation in 1925. Net working capital small. Stock appears reasonably priced but has little speculative appeal.

Medium-size complete oil unit, benefitted in recent years by development of new fields in Illinois and elsewhere. Financial position strengthened. Stock has substantial leverage and price earnings ratio low. Heavy crude oil position, and undeveloped concessions in Venezuela, affords speculative appeal.

Smaller producing company, one-third owned by Texas Company. Remarkably stable earnings record, with \$1 dividend paid for over a decade. However price earnings ratio appears too high, and yield too low, to make the stock particularly interesting.

Large old-line integrated company with nationwide marketing outlets. Somewhat over-capitalized and had deficits in 1930-34. However earnings have shown good war-time improvement. Yield above average, price earnings ratio fair. With substantial debt and about two-thirds of stock closely held, fluctuates more than average.

One of largest independents, with well rounded business. Estimated crude reserves 600 million barrels. Company rather heavily capitalized with resulting earnings irregularity. Formerly unpopular marketwise despite very low price earnings ratio, stock now reflects increased interest because of important Venezuelan interests.

This rather small but well-integrated oil company has an outstanding record of increasing net earnings, having benefitted substantially by war conditions. Dividends have remained conservative, building up working capital which was formerly rather low. Stock seems attractive due to low price earnings ratio.

This important member of the old Standard Oil Trust, with assets of over a billion dollars, is heavily capitalized, and gross and net have shown little growth. However the impressive dividend record and strong financial position, together with satisfactory yield and price earnings ratio, gives the stock investment caliber.

Leading Pacific Coast unit, with large oil reserves, including half of important Kettleman Hills Field and substantial foreign holdings. Earnings varied somewhat due to capital leverage, but dividends without interruption since 1911. Financial position satisfactory.

\$900 million diversified company with dominant position in refining marketing in Middle West. Active in production of aviation gasoline and special war products. Earnings and dividend record excellent and price earnings ratio reasonable considering investment background.

Largest domestic oil company with about \$2.3 billion assets. Stock enjoys some leverage. Good working capital position maintained. Despite foreign difficulties (40% of net assets are in foreign countries), wartime earnings well maintained. With dividends paid since 1882, stock seems attractive at eleven times estimated earnings.

One of the smaller Standard Oil units but dominant distributor in its territory. Earnings record irregular in early 1930's but satisfactory later, and good increase estimated for 1944. Stock has substantial leverage.

Important independent with well rounded operations supplemented by shipbuilding. Managed by the politically important Pew family of Philadelphia. Dividends paid since 1903, financial position strong.

One of the largest integrated units—second largest producer and third largest refiner. Stock enjoys some leverage but earnings have not shown much growth in recent years. Dividends paid since 1902, afford reasonable investment yield.

Medium price integrated unit with some foreign interests. Earnings and dividend record has been somewhat irregular, as reflected in the price earnings ratio of 7.6. The company occupies about an average position with moderately good financial position.

Second largest producer on Pacific Coast with rather irregular earnings. Dividends since 1916. Net working capital relatively small. Stock has moderate leverage. Yield appears satisfactory and large low-cost oil reserves afford speculative interest.



Curtiss-Wright

## Speculative Position Of the Aircrafts

BY WARREN BEECHER

**N**EVER in history has public attention concentrated with such deep interest and with such logical effort upon an industrial problem as that looming up on the horizon for the manufacturers of aircraft. Mushroomed up from 44th place in our industrial roster a few years ago to top ranking position by the impact of war, and with current sales of military character more than four times the prewar volume of the automobile makers, the aircraft industry faces unparalleled contraction when peace arrives. Not to its one-time minor role, of course, as no one doubts the permanence and rapidly growing importance of air transport in the evolving world economy, but rather to a potential market shrunk to perhaps 5% of present inflated dimensions, and for a while perhaps fortunate if prewar volume comes to the rescue as a solid base for further growth.

The amazingly successful production of aircraft to meet the challenge of war was of course made possible by vast expansion of both facilities and credit, plus an eight-fold increase in manpower. The Government, as is well known, at its own expense doubled the private plant capacity, while the motor industry further reinforced the established aircraft makers with huge output of planes, parts and engines. At the same time over 165,000 subcontractors were drawn into the picture. The four-fold complexities — physical, fiscal, human and industrial — so astonishingly coordinated in the rocket-like climb to an annual production figure exceeding \$21 billion, will grow progressively serious when the anticipated problem of unscrambling becomes an immediate reality. Who can foretell to what use the immense Government-owned plants will be put, or those of the great automobile concerns so well skilled now in the manufacture of aircraft. Increased competition at the very start of the transition pe-

riod, when minimum volume will prove a make-or-break factor with some aircraft concerns, may wrinkle the brows of more than one executive. Optimists, on the other hand, deny both the possibility of Government competition or its unwise disposition of factories, at the same time stressing the abrogation of wartime patent-sharing agreements when peace arrives, as an important deterrent to competitive urges, and that the automobile makers in any event will have their hands full supplying the tremendous pentup demand for their own products.

The financial aspect for the aircraft manufacturers, when cutbacks and cancellations overwhelm them in the days ahead, is naturally of major significance. While wartime profits have been slimmer in proportion to volume than in most other industries, the aggregate has sufficed to create substantial reserve funds for many of the concerns. Working capital accumulated by restricting dividend payments, while strained to the limit in war years by enormous inventory needs, will generally appear ample in comparison with prewar requirements, but could be rapidly drained from company treasuries in the early transition period unless drastic preventatives are set up and employed. With all sales billed to the Government and with the exigencies of war tossing all normal yardsticks of credit out of the window, raw material commitments of Lockheed in 1943, for example, at one time exceeded its entire assets by about \$10 million. Such policies were not only warranted but wise, and no doubt similarly followed by all the aircraft producers, but were predicated upon carefully hedged backlog orders which one of these days will drop with a thud.

In anticipation of just such an emergency, the Government has already agreed to make prompt 100% payment for all completely finished planes delivered on its orders, (Please turn to page 599)

## Position of Leading Aircraft Stocks

	Book Value	In Dollars Per Share					1944 Div. Paid	Investment-Rating	COMMENT
		Net Curr. Assets	1936-39 Ave. Net	1943 Net	1944 Net	1936-39 Ave. Div.			
Aviation Corp. ....	4.56	1.91	def 0.15	0.61 Nv	0.65 E	0.05	0.20	C1	Declining trend of sales may continue during 1945. Moderate dividend rate seems assured. Postwar outlook uncertain.
Beech Aircraft .....	18.92	8.24	def 0.05	5.54 Se	6.76 Se	—	1.00	C2	Favorable earnings level fairly well maintained, mainly through special orders for wings. Postwar competition clouds outlook.
Bell Aircraft .....	30.42	14.41	0.19	6.25	6.40 E	—	1.00	C1	Operations at peak levels with well sustained earnings. Outlook good during war but drastic cutbacks probable when peace comes.
Bellanca Aircraft ...	5.45	3.05	0.11	1.06	1.05 E	0.23	0.50	C1	Plants busy with subcontract orders. Capacity production indicated for duration, but uncertain thereafter. Small dividend.
Bendix Aviation .....	31.08	19.43	1.25	6.95 Se	7.20 E	1.00	3.00	B-2	An important producer of accessories and equipment. Has tie up with General Motors. Strongly financed and prospects satisfactory.
Boeing Airplane .....	33.15	17.98	def 1.13	4.14	4.00 E	0.10	2.00	C+2	Has huge orders for B-29 bombers, assuring steady volume and earnings in 1945. \$2 dividend secure. Future prospects fair.
Consolidated-Vultee Aircraft .....	33.32	21.46	0.65	8.69 Nv	8.80 Nv	0.18	2.00	C+2	Net earnings equalling 1943 and likely to continue at this level until war's end. 50 cent dividend safe. Strong finances.
Curtiss Wright Corp. ....	8.35	8.96	0.09	1.42	1.40 E	—	0.75	C+2	Orders for bombers and transports stabilizing volume during war. Earnings on rather even keel.
Douglas Aircraft .....	99.25	59.06	3.04	9.92 Nv	9.75 E	1.50	5.00	B2	War orders continue large and postwar orders for transports will ease transition problems. Long range outlook favorable.
Fairchild Camera & Instrument .....	13.18	8.59	0.71	3.67	3.00 E	0.11	1.00	C+1	Contraction of business may be less than average when peace comes. Current results fairly good. \$1 dividend looks safe.
Grumman Airc. Engr'g. ....	23.22	8.70	0.93	6.58	15.00 E	0.50	1.50	C2	Record production of Hellcats increasing net and outlook favorable during rest of war. Current finances in good shape.
Lockheed Aircraft .....	47.36	17.74	1.29	7.42	4.75 E	0.25	2.00	C+2	Moderate decline in earnings probable but not threatening dividend. Probable postwar demand for transports favorable factor.
Glenn L. Martin .....	43.01	17.14	2.11	11.15	11.00 E	—	3.00	C+3	Well rated in aircraft industry. Sales and earnings reasonably assured for duration. Large reserves. Outlook fair.
North American Aviation .....	8.66	6.89	0.69	1.98 Se	2.25 E	0.48	1.25	C+2	Slight increase in 1944 net likely to shrink in 1945. Fair dividend payer, but postwar uncertainties render stock speculative.
Republic Aviation .....	7.79	5.24	def 0.61	3.08	3.75 E	—	0.50	C2	Improved net in 1944 after ample reserve provisions. Conservative dividend payer and has steadily built up working capital.
Solar Aircraft .....	5.44	3.14	0.15	1.52 Ap	2.57 Ap	0.08	0.50	C1	Important orders for Thunderbolts has bolstered wartime results, but postwar prospects very uncertain. Small dividend payer.
Sperry Corp. ....	18.07	10.46	1.78	3.77	3.80 E	1.45	2.00	B3	Outstanding instrument maker with profitable war business and well entrenched for normal peacetime activities. Prewar record good.
United Aircraft .....	30.92	34.56	2.40	5.31	5.75 E	1.42	3.00	B-1	Current trend of net upward. Maintains ample reserves. Liberal dividend, again probable in 1945. Strong finances. Postwar outlook fair.

\*—Plus 100% stock dividend. Year ended Ap—April 30; Se—September 30; Nv—November 30; E—Estimated.

# Both Sides of THE AIR TRANSPORT PICTURE

BY STANLEY DEVLIN

THE air transport stocks have had a very erratic market record. During the 1920s, the country went wild with enthusiasm for the infant industry, following the Atlantic trips of Lindbergh and others, and aviation stocks mushroomed in the 1929 bull market. In 1932, however, an average of five stocks had dropped to only about 6% of the 1929 highs. There was a substantial recovery from this level but difficulties with the government over airmail, and the slow growth of passenger business, retarded further gains.

In 1939, however, the industry began its rapid growth. By 1942, passenger revenue miles were three times as large as in 1938, and probably forty times as great as in 1929. Express shipments also expanded materially. The stock index mentioned above skyrocketed from 56 in early 1938 to 229 in 1940. During the next two years the average settled back to 100 but a new bull market carried it to 330 in 1943 and it has since fluctuated around that general level.

The principal factor in the industry's improvement in the late 1930s was the gradual development of higher operating standards, which increased public confidence in the safety of air travel and accelerated the gain in passengers carried. While most of the companies had only common stock outstanding and thus had little or no capital leverage, the operating leverage was substantial because of the heavy overhead for ground facilities. Once this overhead was

taken care of, share earnings mounted rapidly and even the smaller companies were able to pull themselves out of the red. This growth would doubtless have continued except for the arresting influence of war conditions. The Government requisitioned a large number of planes after Pearl Harbor and a number of routes had to be suspended. At the end of 1942, the companies had only about half of previous equipment and were operating less than three-quarters of their former mileage.

On the other hand, the war greatly increased the usefulness of the remaining planes. Many unprofitable stops were eliminated and planes were loaded to capacity, while maintenance methods were improved. Hence, despite the loss of planes, earnings were well maintained and in some cases increased. The industry's tax burden has not been particularly heavy as compared with most war industries, although some of the bigger companies such as American, Eastern and United have been taxed rather heavily.

## Postwar Outlook

During 1944 the position of the industry improved rather sharply due to release of planes by the Army. At the end of 1943, there were about 188 planes in service whereas now it is estimated that over 300 are available. Moreover, there has been some gain in trained personnel due to decrease of contract work for the Government. Route mileage is now actually larger than the prewar figure—exceeding 45,000 miles. With planes filled to capacity, the industry can now cash in on this increased business, with fares and express rates in the second half of 1944 about on a level with those of the previous year (in the first half they were lower).

The immediate postwar outlook appears promising. The industry will doubtless get all the planes and personnel it needs and will be able to establish new routes on a big scale. Hearings before the CAB at Washington have been in progress for some time, with lively competition springing up for both domestic and foreign routes. The larger and better established companies—American, Eastern and United—with their stronger financial and operating position, are expected to get the largest share of this new business. However, some of the smaller companies, such as Penn Central, Northwest and Braniff, are making a strong bid for new routes and will probably share substantially in the postwar progress.

Experts predict that passenger business five years after the war will be five times as great as the prewar maximum. Certainly the air lines will enjoy a considerable advantage be- (Please turn to page 601)



Passengers boarding transport plane

## Position of Leading Air Line Stocks

	(Millions) Working Capital	In Dollars Per Share				Price Ratio to Earnings		Invest- ment Rating	COMMENT
		Book Value	Net Curr. Assets	Aver. 1938-39 Net	East. 1944 Net	Div. 1944 Yield %	Est. 1944		
Amer. Air Lines	\$16.54	\$14.75	\$10.00	\$0.66	\$2.59	\$2.65	Nil	\$0.50	1.2 16.6 B2
Most successful of domestic air lines. With larger number of planes and new routes earnings should continue in upward trend. New low cost freight service adds to growth possibilities. Recent stock split.									
Branniff Airways	5.95	7.15	5.95	0.03	0.96	1.25	Nil	0.60	3.2 15.2 C+1
Excellent record past three years, after earlier irregularity. Substantial plans for expansion of both domestic and foreign routes. Aggressive management under founder. Good current position.									
Chic. & So. Air Lines	1.19	5.31	3.11	Nil	0.44	0.45	0.05	0.25	1.7 33.3 C2
Small midwest company competing with bigger companies. Current position fair. Memphis-Detroit route, recently authorized, should increase business. Stock discounts improved earnings.									
Eastern Air Lines	13.55	26.95	23.00	0.95	2.42	2.50	Nil	—	16.4 C+2
One of the larger companies, conservatively capitalized; very strong financial position. No dividends but price-earnings ratio relatively low.									
National Air Lines	1.57	4.57	3.14	—	0.01*	Nil	Nil	1	— C2
Small company, with irregular record. Fair cash position but earnings unfavorable. May do better when more planes are obtainable; applications filed for a number of new routes including foreign.									
Northwest Air Lines	3.09	13.76	8.21	0.07	1.45*	1.25	0.15	0.50	1.5 27.2 B2
Steady growth record though share earnings have not reflected gain in gross. Good cash position. Company has ambitious plans for postwar period. It is about sixth in size.									
Pan-American Airways	12.73	16.91	6.36	0.81	0.97	1.75	0.61	1.00	2.9 19.5 B2
Dominates foreign field, with about 100,000 route miles. Good earnings and dividend record. Sound financial position. Postwar outlook dependent somewhat on politics.									
Penn-Central Air Lines	2.70	8.93	5.69	D 0.17	0.55	0.75	Nil	—	34.7 C+1
Medium size company, fair earnings record, no dividends, good cash position. Present price substantially discounts improved earning power, but company has strategic territorial position.									
Transcont. & Western Air Lines	5.50	14.29	5.51	0.41	2.12	2.50	0.06	—	11.6 C+3
One of four leading domestic systems, with sound financial record. No dividends since 1938. Substantial interest in TACA, recently granted 1800 mile extension. Moderate price-earnings ratio.									
United Air Lines	11.25	14.16	0.50	D 0.10	2.13	4.00	0.05	0.50	1.5 8.5 B2
One of the largest old line companies with good growth record. Current position fair. Convertible preferred moves with common and seems more attractive.									
Western Air Lines	.74	4.23	1.66	0.10	0.22	0.75	0.06	—	25.3 C2
Small company with very irregular record. Cash position only fair. Current price seems relatively high despite plans of extension to Chicago.									

\*—Year ended June 30, 1944. D—Deficit. E—Estimated. 1—5th. Div. of 33-1/3%.

# FOR PROFIT AND INCOME

## Speculative Gains Tax?

Just as the market appeared to get set to hurdle the 159-160 resistance area in the industrial averages, who comes but Federal Reserve Board Chairman Marriner S. Eccles and recommends a war-time speculative gains tax, to be slapped on profits from speculation in stocks and real estate. Advocacy of the tax apparently was an incidental part of that day's program which consisted mainly of Mr. Eccles' testimony in support of the bill for lowering reserve requirements of the Federal Reserve Banks. Yet those who think they know what's in the official mind are convinced that Mr. Eccles was quite serious, that the idea did not occur on the spur of the moment. It doesn't mean, of course, that we shall have such a tax, or get it in a hurry, for Congress will have something to say about it and the consensus is that any such proposal would have tough sledding with the legislators. But it does mean that the authorities are determined to do all they can to curb speculative excesses. If the market should go higher, it would not surprise, for instance, if margin trading were further restricted or completely eliminated, placing the market on a cash basis. It probably wouldn't make much difference market-wise, since it is estimated that some 90% of trading is already done for cash. But the tax proposal is a horse of a different color. Imposition of a heavy speculative gains tax could certainly take the steam out of the market, and the starch as well. Up to this writing, the market does not ap-

pear too anxious, however, though it responded to the tax proposal with mildly reactionary tendencies. Presumably, the market has something in common with Mr. Eccles: Both apparently are awaiting congressional reaction.

### STOCKS MAKING NEW 1944-45 HIGHS

Alleg. Ludlum Steel	Dow Chemical
Amerada	Ex-Cell-O
Petroleum	Gaylord Container
Am. Locomotive	Gen. Motors
Am. Rolling Mills	Goodrich
American Stores	Gulf Oil
Bower Roller	Lima Locomotive
Bearing	McGraw Hill
Bulova Watch	Phelps Dodge
Byron Jackson	Pure Oil
Carrier Corp.	Republic Steel
Crown Cork	Union Pacific
Crucible Steel	Vanadium

## No Chrysler Split

Despite recent new highs for Chrysler in quite active trading and recurrent rumors that the stock may be split, authoritative quarters are definite in their view that no such move is contemplated in the near future. These sources are said not to deny that a split might be contemplated after the war-in-view of the stock's high market price—but they are represented as equally certain but no such step will be actively considered during the war.

## Russian Bonds

Sharp gains in Russian Imperial bonds, previously recorded and deplored in this column, have finally attracted Treasury Department attention. A spokesman denied that the U. S. and the Soviet Union were negotiating for a settlement on defaulted Imper-

ial Russian bonds and remarked that the American people were "suckers for a lot of rumors". It is hard to believe that these totally worthless bonds in recent dealings sold as high as 20. Appropos rumored negotiations, the Treasury spokesman flatly declared that "no deals are being made; none has been made, and none is planned now."

## Raytheon Manufacturing

Raytheon Manufacturing Co., leading maker of electronic tubes, has confirmed tentative negotiations for merger with Belmont Radio Corporation, one of the country's largest producers of private brand radio receivers sold through mail order houses, chain stores and other retail outlets. The two firms currently do an annual business of over \$200 million. The contemplated move to unite them would combine their large research departments for the development of both radios and tubes and would add the Belmont sales organization to Raytheon's distribution facilities.

## South Penn Oil Retires Stock

A new note was introduced by South Penn Oil Co.'s recent offer to stockholders to purchase some of its outstanding capital stock for retirement. As a result of the liquidation of its inventories of crude oil storage, the company has acquired more cash and quick assets than are required for current operations. A study, the company adds, has not developed a safer or more profitable employment for this accumulation than the purchase of a portion of the outstanding capital stock for retirement.

# Keeping Abreast of Industrial and Company Changes

## Pullman-Standard Plant Modernization

A modernization and construction program to cost between \$5 and 10 million was announced recently by the Pullman-Standard Car Manufacturing Co. The program will embrace all six of the company's plants and will include new construction, equipment and alterations with an eye on greater efficiency of operations. In doing all this, the company is banking optimistically on heavy replacement demand of the railroads, predicting that of the country's present 30,000 railroad passenger cars, 27,000 probably will have to be replaced as soon as conditions permit. The management stated that it will take from five to eight months for the company's plants to be returned to a full peace-time operating basis. Because most cars are tailor-made for each railroad, the company sees little possibility of standardizing car production.

## Pig Iron Ceilings

Pig iron price ceilings, after much haggling and study, were finally raised \$1 per ton by the OPA, the first increase since pig iron was placed under price control in June 1941. Since that time, the OPA stated, production costs have advanced \$4.79 per ton. While constructive, this action is by no means of tremendous import, pricewise, for the steel and iron industry, as a whole, quite apart from the discrepancy between the price raise and the cost increase. Chief beneficiaries are the companies that sell pig iron to others, such as Woodward Iron and Interlake Iron, relatively small factors in the business. The great bulk of the pig iron made and consumed in the steel making process is, however, made and consumed by the big integrated steel

companies, thus the price rise means nothing to them. It applies to a relatively small part of the nation's production.

## Rug & Carpet Makers

With the bulk of their machine production on war work, rug and carpet manufacturers are turning out only a small yardage of regular lines. The recent WPB order freezing coarse yarns for the first half of the year will further limit carpet mills to what cotton yarns they have on hand suitable for their rug and carpet output, and additional cuts in present small schedules appear inevitable. The greater part of manufacturing activities will center around production of cotton duck, 1945 requirements for which are estimated at about 80 million yards. In view of the narrow margin on Government work, earnings prospects over the intermediate term must therefore be regarded as generally obscure.

## Synthetic Rubber

Synthetic rubber now constitutes 85% of total rubber used in this

country. Spokesmen for the rubber industry say we are now close to "the bottom of the natural rubber barrel" but that we have achieved in a few years with synthetic rubber what it took nearly seventy years to accomplish with natural rubber. Synthetic rubber used in 1944 came to 565,000 tons against only 6,000 tons in 1941. It is an achievement of which we can be justly proud. Production last year excelled 750,000 tons.

## Aircraft Orders

Douglas Aircraft Co. reports that since February 5, it has received orders for nearly 2,000 more war planes involving approximately \$320 million. These orders are part of the announced \$1.6 billion boost in War Department procurement schedules over those set up a month ago. Douglas schedules for the B-17 Flying Fortress have been stepped up to 50% above the program of January 1.

## Debt Reduction

Illinois Central Railroad in 1944 made further inroads on outstand-

## INCREASES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
Cons. Vultee Aircraft	Year Nov. 30	\$8.80	\$8.67
Goodyear Tire & Rubber	Year Dec. 31	5.90	5.68
Tide Water Assoc. Oil	Year Dec. 31	2.43	1.98
Chicago Mail Order	Year Dec. 29	1.85	1.74
Kress (S. H.) & Co.	Year Dec. 31	2.25	2.16
Texas Gulf Sulphur	Year Dec. 31	2.50	2.07
Motor Wheel	6 mos. Dec. 31	1.24	.99
Westinghouse Air Brake	Year Dec. 31	1.68	1.42
American Can	Year Dec. 31	4.30	4.22
Continental Can	Year Dec. 31	2.12	1.81
Noblitt-Sparks Indust.	Year Dec. 31	4.66	4.13
Panhandle Eastern Pipe Line	Year Dec. 31	6.68	4.33
Bigelow-Sanford Carpet	Year Dec. 31	2.81	2.48
Canada Dry Ginger Ale	Dec. 31 quar.	.83	.66
Mullins Mfg. Corp.	Year Dec. 31	1.85	.87

ing debt when the total was reduced by \$23.42 million to \$282.1 million. The reduction is net, taking into consideration issuances during the year of various obligations of subsidiary lines. Debt reduction in 1943 was \$37 million, thus a total of \$86 million was shaved off the outstanding debt since the end of 1941. The policy of steady debt reduction will probably be continued, aided by high earnings which in the past four years have built up current assets as well as provided funds for debt retirement.

### Copper Shares

Recent substantial buying of copper shares, particularly Kennecott and Phelps Dodge which reportedly have been receiving important portfolio attention, is said to stem from the fact that there is less apprehension over the postwar copper situation. There is increasing talk that the surplus of red metal at the end of the war will be stockpiled and removed from the spot market. The stockpiling idea of course is nothing new and right along it has had the vigorous support of the copper industry. But as far as is known, nothing definite has been announced permitting any clues as to the extent to which stockpiling will be resorted to. Still, leading coppers have been doing right well in recent markets.

### Coal Stocks

For the first time in years, Hudson Coal Co., one of the leading anthracite producers, in 1944 had a net profit after all charges. The company's preliminary report

showed a net income of \$229,712 against a 1943 deficit of \$603,280. This illustrates the war-time windfall which has come the coal industry's way. The industry's longer range outlook, while uncertain, is viewed somewhat more constructively in many quarters where it is pointed out that coal has become an important chemical raw material which should have a stabilizing effect on postwar potentials. Speaking of coal stocks, we find that after a twenty-year period of neglect and disfavor, they are now recognized to have suffered from undue pessimism as to their long-term future in competition with other fuels and motor power. New and more efficient methods of mining have reduced costs and combustion engineering is making great strides, placing coal on a far more favorable competitive basis. If labor difficulties can be smoothed out or increased labor cost recovered in the market, coal stocks may yet emerge from a long period of market neglect.

### Short Interest

The short interest on the Stock Exchange as of February 15 rose 105,000 shares over the total at the end of January. No startling individual changes took place over the two weeks. Shorts increased moderately in some of the rails, with Baltimore & Ohio now holding first place. The over-all showing reflects no great conviction of an early downturn of the market though many must have been wondering in view of the recent steady upward pace. But as of this writing, the line of least resistance appears still upward.

### Deere & Co.

This company, a leading maker of farm machinery, produced \$57 million worth of war materiel in 1944 out of a total output of \$171 million, according to its 1944 report. Production of farm implements, under Government quotas, increased from the low point in 1942 to levels as high, repair parts included, as any previously existing. Removal of controls on distribution of all farm machinery except corn pickers was made effective September 28, 1944, and corn pickers were released from ration control in November last year. But the shortage of manpower, the company complains, is now more acute than ever before.

### Warner Bros.

Warner Bros. common has been quite firm in recent markets with long-range buying apparently based on the continued progress in reducing funded debt and charges ahead of capital stock which in the long run is of course adding to the value of the junior equity. There has been renewed gossip about the possibility of a dividend in the near future. Ultimately, this will be in the cards, no doubt, but there is no current indication of any changes in the management's basic policy as stated in the annual report, of continued debt retirement. Incidentally, film producers are not unduly worried about the latest restriction on film supplies. They have large inventories of finished pictures and while the number of prints of each picture distributed for exhibition may be fewer, the new cut is not expected to have any serious effects on business.

### More About ACF-Brill

This company has its sights set on postwar production of 2,000 buses a year, compared with a pre-war figure of about 750. The first of its postwar line of buses, a 41 passenger inter-city model, will be in production by May this year and full output on an assembly line basis will be reached by July 1. The new model incorporates many engineering developments growing out of the war, uses higher octane gasoline than previously and will travel at 75 miles an hour. Innovations include air conditioning and a small public address system within the bus with a radio attachment, as well as improved lighting and seating arrangements.

### DECLINES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
Caterpillar Tractor	12 mos. Jan. 31	\$4.12	\$4.42
Commercial Solvents	Year Dec. 31	.95	1.10
Iron Fireman	Year Dec. 31	1.86	2.50
Liquid Carbonic	Dec. 31 quar.	.39	.58
Pacific Mills	Year Dec. 30	4.72	5.85
Artloom Corp.	Year Dec. 30	.36	.58
Household Finance	Year Dec. 31	5.31	5.51
Continental Steel	Year Dec. 31	2.54	3.46
General Cigar	Year Dec. 31	1.30	2.00
Goodyear T. & R. (Canada)	Year Dec. 31	4.14	4.51
New York Air Brakes	Year Dec. 31	3.36	3.56
Sylvania Industrial	Year Dec. 31	2.04	2.06
U. S. Gypsum	Year Dec. 31	3.07	3.75
Commercial Inv. Trust	Year Dec. 31	2.10	2.94
McCrory Stores	Year Dec. 31	1.90	2.01

# Opportunities for Income and Profit in Bonds and Preferred Stocks

BY JACKSON D. NORWOOD

**MARKET TREND:** The bond market has continued to press steadily forward under leadership of second grade railroad bonds. In the past two weeks, the latter index showed a gain of 1.66 points, while defaulted railroads advanced .50 points and the Dow Jones Industrial Averages for 40 bonds rose .63 points. The trend toward lower yield continues in both bonds and preferred stocks.

In the municipal bond market, City of New York issues continued in the spotlight while investment quality corporate issues were firm to higher for recently marketed issues. The Dow Jones combined average for 40 corporate obligations reached the best level since its inception in 1915. In the foreign field, Russian Imperial Government 5½s and 6½s broke sharply following official denial of rumors that United States and Soviet Russia were negotiating a settlement of repudiated Czarist loans.

**COLUMBIA GAS & ELECTRIC \$6 CUMULATIVE PREFERRED STOCK:** This preferred stock appears to be well protected as to asset backing and gives a liberal income yield of 6.34 per cent based on the current market price of 94¾. The dividend on the stock has been paid continuously since the initial payment was made in 1927, or for eighteen years. The redemption price is \$110. The company earned \$11.12 per share on its preferred senior issues in 1943 as compared with \$11.05 in 1942. While earnings were slightly lower in 1944, preferred dividend requirements were covered over two times. This preferred stock is listed on the New York Stock Exchange and the price range for 1944-45 to date has been: High 97½; Low 76; Last 94¾. Although this stock has had a good advance from the low registered last year, it is still recommended at current market price for income and appreciation.

**ROBERT GAIR CO., INC.:** Directors of this company have declared the full 6 per cent interest on its income notes, due 1972, payable April 1st to note-holders of record March 31.

**GENERAL AMERICAN INVESTORS:** A plan for exchange of one share of General American Investors Co., Inc. \$6 preferred stock for one share of \$4.50 preferred stock has been proposed by the directors and will be voted upon at the annual meeting to be held March 13th. The \$4.50 preferred stock would not be subject to redemption by lot, as at present, and, instead of the present sinking fund, a purchase fund would be established to handle retirement of shares.

**CITIES SERVICE \$6 PREFERRED STOCK:** This stock has priority over preference BB, preference B and common stocks, both as to dividends and assets. It is redeemable at \$112 a share and accrued dividends which, on January 2, 1945, amounted to \$72.50 per share. Earnings per share on this preferred stock in the four year period 1940-1943 inclusive averaged \$25.74 or 4.4 times yearly dividend requirements. This preferred stock is rated above average due to possible benefits from the pending

integration plan. The price range on the New York Curb Exchange for 1944-45 to date, has been: Low of 92¼, High 131¼, Last 126. This preferred stock is recommended as a good speculation for further appreciation but as preferred stocks are subject to wide fluctuations, we would caution against placing orders to buy at the market unless the offer price is reasonable.

**WABASH R. R.:** This railroad is notifying holders of its first mortgage 4% bonds, series A, due January 1, 1971, that all the bonds outstanding in the amount of \$47,354,300 have been called for redemption on April 1st, 1945, at 101½ per cent and accrued interest. Interest will cease to accrue on and after redemption date.

**THE SCHIFF CO.:** This company which operates a chain of shoe stores has issued notice that it is calling for redemption all of its outstanding 5½% cumulative preferred shares on March 15, 1945, at the redemption price of \$110 per share with accrued dividends to the date set for redemption. Incidentally, the directors have declared the final quarterly dividend of \$1.37½ per share on this preferred stock payable on March 15, 1945.

**TRI-CONTINENTAL CORP.:** The proceeds from the sale of the \$7,360,000 3½% debentures, due February 1, 1960, will be used to redeem \$2,460,000 of outstanding 5% convertible debentures due in 1953 and to liquidate \$4,900,000 in bank loans. The new debentures will be a direct obligation of the company but not secured and they are callable as a whole or in part at any time to February 1st, inclusive, from 1948 to 1959 at various redemption prices, ranging from 104 down to par.

**RUSTLESS IRON & STEEL CORP.:** This company's \$2.50 cumulative preferred stock and the \$2.50 preferred stock second series, have been called for redemption at \$52.50 per share and accrued dividends to the date of redemption which is February 28, 1945.

**ALLIED STORES CORP.:** All of this company's outstanding 4½% debentures due 1951 have been called for redemption at 101½ and accrued interest. Redemption date is March 1st and payments may be obtained at Bankers Trust Co. on and after that date.

## Recent Calls for Redemptions

BONDS	Amount Called	Call Price	Redemption Date
Morris Plan Shares 6s, A, 1947	\$1,000,000	101	Mar. 1, '45
Pennsylvania Railroad 4½s, 1970	58,724,000	102½	Apr. 1, '45
St. Louis Public Service 5s, 1959	10,941,000	105	Mar. 1, '45
Southwestern Public Service 4s, 1972	20,000,000	110½	Mar. 5, '45
Chic. Pk. Dist., Ill., ref. B, 1955	5,086,000	100	Mar. 1, '45
Cook Co., Ill., sch., 1935	410,000	100	Mar. 1, '45
Interstate Telephone Co. 1st A 3½s, 1970	Entire Issue	106½	Jan. 22, '45
Washington Rail. and Elec. Co., 50 yr. cons. 4s, 1951	Entire Issue	105	Ju. 1, '45
New Haven Water Co. 1st & ref. D 4½s, 1983	Entire Issue	105	Nov. 1, '45
Miller Company 6½s, 1946	Entire Issue	100	Mar. 1, '45
Canada Paper 3½s, 1945	250,000	101	Mar. 1, '45
Canada Paper 4½s, 1952	700,000	102	Mar. 1, '45

# Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities*; one request per month.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

## Portland Electric Power Co.

*As an investor in Portland Electric Power Co. of Oregon, will you please give me information on the reorganization plan of this company?*

—T. J., Sandusky, Ohio

The Securities & Exchange commission approved recently a plan of reorganization for the Portland (Ore.) Electric Power Co., under which bondholders will receive 95 per cent of the company's assets and prior preference stockholders will receive the remaining 5 per cent.

The amended plan finally accepted by the commission was submitted by the Guaranty Trust Co. of New York, trustee for Portland's 6 per cent collateral trust income bonds.

It includes suggestions made last July by the S.E.C. when it rejected earlier plans as unfair to one or more classes of security holders.

The amended plan will be submitted to the Federal District Court for the district of Oregon in which reorganization proceedings are pending under Chapter X of the Bankruptcy Act.

Any possible recoveries in pending litigation against the Chase National Bank, which may ultimately benefit Portland General Electric, will first be applied to the unsatisfied claim of the prior preference stock and then

to the first preferred stock.

The second preferred and common stock "are held to be worthless and are to receive nothing under the plan," the S.E.C. said.

It was disclosed on December 18 that an agreement on litigation growing out of efforts of Chase National Bank, N. Y. to collect an alleged debt of \$5,950,000 from Portland General Electric Co., a subsidiary of Portland Electric Power Co., has been set forth in a petition filed in the U. S. District Court by independent trustees.

Petition asks Federal Judge J. A. Fee to approve settlement, said to have been agreed upon by the trustees and directors of Portland General Electric on one hand and Chase National Bank on the other. It provides that the bank shall accept \$1,840,505 in cash and 53,500 shares of the \$6 preferred stock of Consolidated Electric & Gas Co. in satisfaction of its claim on behalf of itself and Harris Trust & Savings Bank, Chicago.

A suit brought by the trustees for \$18,178,100 damages from Chase National Bank in connection with financial activities at the time Portland Electric Power was dominated by Central Public Service Co. would be settled by payment of \$663,384 to Pepco and purchase by bank of 23,180 shares

of \$6 preferred stock of Consolidated Electric & Gas Co. for \$834,000.

Chase National Bank petition sets forth, further agreed to loan P.G.E. \$5,500,000 at 2% interest for the purpose of refunding some of that company's indebtedness.

## Wants to Invest \$10,000 in Common Stocks as Inflation Hedge

*I have about \$10,000 of idle cash to invest. I am expecting an inflationary rise on common stocks after the war to accompany the cashing and maturing of war bonds. I am considering the following stocks for purchase at this time:*

110 shares Pure Oil @ about 17½  
40 shares General Motors @ about 64  
40 shares Loose Wiles Bisc. @ about 44  
40 shares Fruehauf Trailer @ about 43  
100 shares Crown Zellerbach @ about 21

*Will you please give me information and advice regarding Fruehauf Trailer and Crown Zellerbach.*

*I expect to hold the stocks about 4 to 7 years and then sell to build a home or buy bonds or both. Current income is not as important as safety and prospects.*

—H. D. W., West Allis, Wisc.

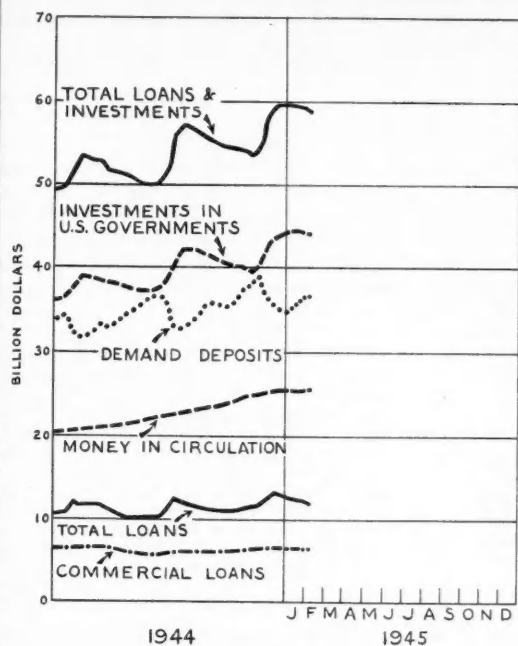
We have given careful consideration to the securities you submitted and while they are all attractive, we believe that General Motors, Loose Wiles Biscuit and Fruehauf Trailer are amply priced at present. Accordingly, we recommend deferring purchases until a substantial reaction in the market.

Pure Oil at 16, and Crown Zellerbach at 20, represent good values, therefore recommend purchase. Pure Oil was analyzed in our January 6th issue on page 361.

Crown Zellerbach: This enterprise has over 50% of the Pacific Coast newsprint capacity, almost 50% of the coarse paper and some 40% of the kraft board capacity. As of April 30, 1944, it had a strong financial position. Total current assets of \$38,044,614 as compared with total current liabilities of \$8,230,951, a current ratio of 4.6 to 1. Cash and U. S. Certificates amounted to \$8,320,703, exceeding total current liabilities. Earned \$2.23 for fiscal

(Please turn to page 604)

## MONEY AND BANK CREDIT



## CONCLUSION

**MONEY AND CREDIT** — Investor demand for Government bonds is so heavy that coupon issues offered to banks and institutional buyers in the next bond drive may carry a lower interest rate or have a longer maturity.

**TRADE**—Last year's retail store sales reached a new high of \$69.3 billion—9% above 1943 in value, and up 6% in volume.

**INDUSTRY** — Army raises 1945 war production program to \$37.8 billion—19% above actual deliveries last year.

**COMMODITIES**—Spot prices at new war-time highs. Futures rally, and then sink to a new 1945 low, as hopes for further Government coddling rise and wane.

# The Business Analyst

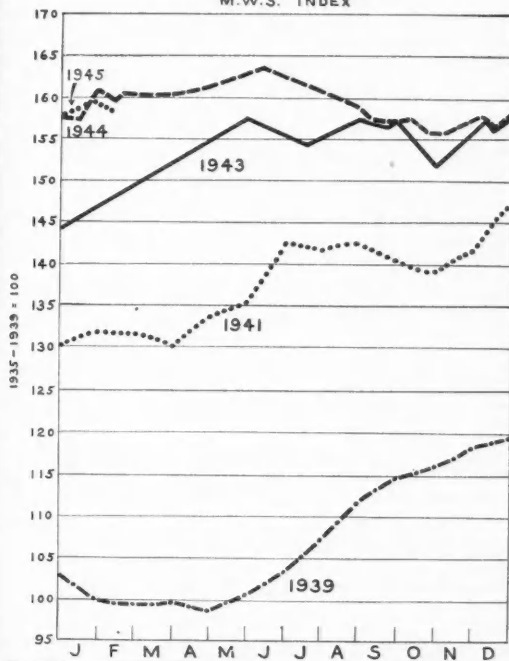
Reflecting progress in untangling storm-made production and transportation snarls, per capita **business activity** has picked up a little since our last issue; but is still something less than 1% below last year at this time. Owing to the tight fuel and labor situation, **steel** supplies in the second quarter are expected to be substantially under essential needs. The W. P. B. has ordered a sharp cut in civilian quotas and it is possible that even war requirements may not be met in full.

\* \*

**War Production Schedule** for 1945 has been raised by the War Department to \$37.8 billion, an increase of 18.9% over last year's deliveries to the Army. There is a growing belief in Congress that the military is needlessly snarling not only the civilian economy but also war production in taking over the job that was so ably handled by Nelson and Wilson under the first war program. It has also been charged that there would be no need for a work or fight bill if Government departments and the military would put an end to their own wastage of manpower, and leave the materials supply problem to civilian industrial management which has the "know how."

(Please turn to the following page)

## BUSINESS ACTIVITY PER CAPITA BASIS M.W.S. INDEX



# Inflation Factors

## PRESENT POSITION AND OUTLOOK

Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor
<b>FEDERAL WAR SPENDING (†) \$b</b> Cumulative from Mid-1940				
Feb. 14	1.60	1.70	1.99	0.43
Feb. 14	255.4	253.8	164.7	14.3
<b>FEDERAL GROSS DEBT—\$b</b>				
Feb. 14	233.1	232.8	180.2	55.2
<b>MONEY SUPPLY—\$b</b> Demand Deposits—101 Cities Currency in Circulation				
Feb. 14	36.3	36.1	31.5	24.3
Feb. 14	25.5	25.4	20.6	10.7
<b>BANK DEBITS—13-Week Ave.</b> New York City—\$b 100 Other Cities—\$b				
Feb. 14	6.80	6.79	5.54	3.92
Feb. 14	8.51	8.57	7.66	5.57
<b>INCOME PAYMENTS—\$b (cd)</b> Salaries & Wages (cd) Interest & Dividends (cd) Farm Marketing Income (ag) Includ'g Govt. Payments (ag)				
Dec.	14.39	13.25	13.86	8.11
Dec.	9.64	9.51	9.13	5.56
Dec.	1.83	0.51	1.72	0.55
Dec.	1.70	2.19	1.69	1.21
Dec.	1.75	2.26	1.74	1.28
<b>CIVILIAN EMPLOYMENT (cb)m</b> Agricultural Employment (cb) Employees, Manufacturing (lb) Employees, Manufacturing (lb)				
Jan.	50.1	50.7	50.3	50.4
Jan.	6.7	7.1	6.6	7.7
Dec.	15.7	15.6	17.1	13.6
Dec.	6.1	5.9	6.1	4.5
Jan.	0.8	0.7	1.1	3.3
<b>UNEMPLOYMENT (cb) m</b>				
Dec.	154	153	169	141
Dec.	206	205	233	168
Dec.	113	113	119	120
Nov.	311	314	336	189
<b>FACTORY EMPLOYMENT (lb4)</b> Durable Goods Non-Durable Goods				
Dec.	154	153	169	141
Dec.	206	205	233	168
Dec.	113	113	119	120
Nov.	311	314	336	189
<b>FACTORY PAYROLLS (lb4)</b>				
<b>FACTORY HOURS &amp; WAGES (lb)</b> Weekly Hours Hourly Wage (cents) Weekly Wage (\$)				
Nov.	45.3	45.5	45.5	40.3
Nov.	103.3	103.1	99.6	78.1
Nov.	46.80	46.94	45.32	31.79
<b>PRICES—Wholesale (lb2)</b> Retail (cdlb)				
Feb. 10	104.9	104.7	103.1	92.2
Nov.	139.4	139.3	135.2	116.1
<b>COST OF LIVING (lb3)</b> Food Clothing Rent				
Dec.	127.0	126.6	124.4	110.2
Dec.	137.4	136.5	137.1	113.1
Dec.	142.8	142.1	134.6	113.8
Dec.	108.3	108.2	108.1	107.8
<b>RETAIL TRADE</b> Retail Store Sales (cd) \$b Durable Goods Non-Durable Goods Dep't Store Sales (mr) \$b Chain Store Sales (ca)				
Dec.	7.44	6.21	6.69	4.72
Dec.	1.00	0.87	0.94	1.14
Dec.	6.44	5.34	5.75	3.58
Jan.	0.45	0.88	0.38	0.40
Jan.	199	191	188	151
<b>MANUFACTURERS'</b> New Orders (cd2)—Total Durable Goods Non-Durable Goods Shipments (cd3)—Total Durable Goods Non-Durable Goods				
Dec.	324	316	274	212
Dec.	468	461	402	265
Dec.	230	223	192	178
Dec.	279	274	276	183
Dec.	392	376	393	220
Dec.	201	203	196	155
<b>BUSINESS INVENTORIES—\$b</b> End of Month (cd)—Total Manufacturers' Wholesalers' Retailers' Dept. Store Stocks (rb2)				
Nov.	27.6	27.9	28.7	26.7
Nov.	17.0	17.1	17.9	15.2
Nov.	4.0	4.0	4.1	4.6
Nov.	6.6	6.8	6.7	7.2
Nov.	143	154	143	139

(Continued from page 591)

The Commerce Department estimates **Income Payments** to individuals last year at \$156.8 billion, a new all-time high and nearly 10% ahead of 1943. Most of the increase was in military payments; but Federal interest disbursements rose from \$2.2 billion in 1943 to last year's \$3.0 billion.

\* \* \*

As might be expected, **Retail Store Sales** last year, at \$69.3 billion, also rang up a new all-time high and surpassed the 1943 total by more than 9%. On an actual quantity basis the increase was 6%; since retail prices, on an average, are estimated by the Commerce Department to have advanced only 3% during the year. Department store sales in the week ended Feb. 10 were 22% ahead of the like period last year, compared with gains of 15% for four weeks and 13% for the year to date.

\* \* \*

In some quarters it has been suggested that the recent lifting of margin requirements on stock purchases may have been prompted by fear in Administration circles that the stock market might absorb funds that should be going into war bonds; but there seems to be little ground for anxiety. Quite apart from the circumstances that common stocks on an average are still considerably below the 1937 peak, it should be noted that the Federal Reserve banks have been feeding out securities in an attempt to slow the accompanying **Advance in Government Bonds**—thus far without much success.

\* \* \*

Treasury officials have asked Congress to raise the statutory **Debt Limit** to \$300 billion, from the present ceiling of \$260 billion, before the Seventh War Loan drive starts in May or June. Despite this huge and fast expanding Public Debt, there is nothing to show that investors are losing confidence in the Government's credit. On the contrary, cashing of savings bonds has declined steadily since the plan of prompt redemption was inaugurated last October. Here is the record of E, F and G redemptions, by months—Oct., \$395 million—1.16% of total outstanding; Nov., \$376 million—1.08%; Dec., \$359 million—0.98%; and January, \$333 million—0.89%. Against this, \$1,074 million were sold in January alone.

\* \* \*

So persistent has been the rise in coupon Governments that future issues—particularly those offered to institutional investors and the banks—may carry a lower interest rate or have a longer maturity. So great is the pressure of investment funds that the overflow has also pushed foreign government external bonds and domestic corporate bonds (notably high grade rails) to new war-time highs. Surely it is far less inflationary for the nation's huge war-bred savings to go into investment channels, rather than lift **Living Costs** in a scramble for scarce merchandise.

# PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor
<b>BUSINESS ACTIVITY—1—pc</b> (M. W. S.)—1—np	Feb. 10	158.4	159.1	159.8	141.8
	Feb. 10	169.8	170.4	169.8	146.5
<b>INDUSTRIAL PRODUCTION (rb3)</b>					
Durable Goods, Mfr.	Dec.	232	232	241	174
Non-Durable Goods, Mfr.	Dec.	343	341	365	215
	Dec.	173	172	174	141
<b>CARLOADINGS—t—Total</b>	Feb. 10	755	739	793	833
Manufactures & Miscellaneous	Feb. 10	363	364	366	379
Mdse. L. C. L.	Feb. 10	97	94	99	156
Coal	Feb. 10	176	158	186	150
Grain	Feb. 10	41	42	54	43
<b>ELEC. POWER Output (K.w.H.)m</b>	Feb. 10	4,505	4,539	4,533	3,269
<b>SOFT COAL, Prod. (st) m</b>	Feb. 10	12.2	11.3	13.0	10.8
Cumulative from Jan. 1	Feb. 10	69.8	57.6	77.5	446
Stocks, End Mo.	Dec.	57.2	64.0	56.7	61.8
<b>PETROLEUM—(bbbls.) m</b>					
Crude Output, Daily	Feb. 10	4.73	4.72	4.40	4.11
Gasoline Stocks	Feb. 10	92.46	91.03	81.88	87.84
Fuel Oil Stocks	Feb. 10	48.85	50.45	52.42	94.13
Heating Oil Stocks	Feb. 10	30.54	32.37	35.12	54.85
<b>LUMBER, Prod. (bd. ft.) m</b>	Feb. 14	508	520	559	632
Stocks, End. Mo. (bd. ft.) b	Jan.	3.8	3.4	3.8	12.6
<b>STEEL INGT PROD. (st.) m</b>	Jan.	7.17	7.37	7.59	6.96
Cumulative from Jan. 1	Jan.	7.17	89.5	7.59	74.69
<b>ENGINEERING CONSTRUCTION AWARDS (en) \$m</b>	Feb. 15	43.9	20.6	37.0	93.5
Cumulative from Jan. 1	Feb. 15	181	137	252	5,692
<b>MISCELLANEOUS</b>					
Paperboard, New Orders (st)t	Feb. 10	150	205	155	165
U. S. Newsprint Consumption (st)t	Jan.	255	284	268	352
Do., Stocks, End Month (st)t	Jan.	489	491	467	523
Wood Pulp Stocks, End Month (st)t	Dec.	68.0	66.6	64.8	98.5
Machine Tool Orders—\$m	Dec.	62.5	58.7	27.6	80.0
Anthracite Production (st)m	Jan.	4.24	4.57	5.03	3.83

## PRESENT POSITION AND OUTLOOK

(Continued from page 592)

There has been much public discussion of late, particularly among market commentators, concerning the **Outlook For Inflation** in the fluid years that lie ahead. If inflation be regarded simply as a rise in prices we have had it throughout the war period. In this country the advance has been gradual, but persistent—a "creeping inflation". It will continue until, and probably for some years after, the war ends.

\* \* \*

In some countries, where little or no price control has been enforced—notably in China and among the Axis satellites and, to a lesser extent, in South America, inflation has been explosive in character. Canada, where living costs have advanced only 1% since ceilings were imposed in December, 1941, is the shining example of a nation that has kept a firm grip on wages and prices.

\* \* \*

Money (meaning bank deposits and cash) will continue for the duration, and probably for some years after the war, to expand faster than the supply of goods; but the consequent inflationary pressure will not produce an explosive rise in prices unless controls are relaxed. In countries such as China there is likely to be a severe post-war collapse in prices when goods become more plentiful.

ag—Agriculture Dep't. b—Billions. ca—Chain Store Age, 1929-31—100. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't., Jan. 1939—100. cd3—Commerce Dep't., 1939—100. cdlb—Commerce Dep't., (1935-9—100) using Labor Bureau and other data. en—Engineering News-Record. i—Seasonally adjusted index, 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. m—Millions. mpt—At Mills, Publishers & in Transit. mrb—M. W. S., using F. R. B. data. np—Without compensation for population growth. pc—per capita basis. rb2—Federal Reserve Board, adjusted index (end Mo.) 1935-9—100. rb3—Federal Reserve Board, adjusted index, 1935-9—100. st—Short tons. t—Thousands. tf—Treasury & R. F. C.

## THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

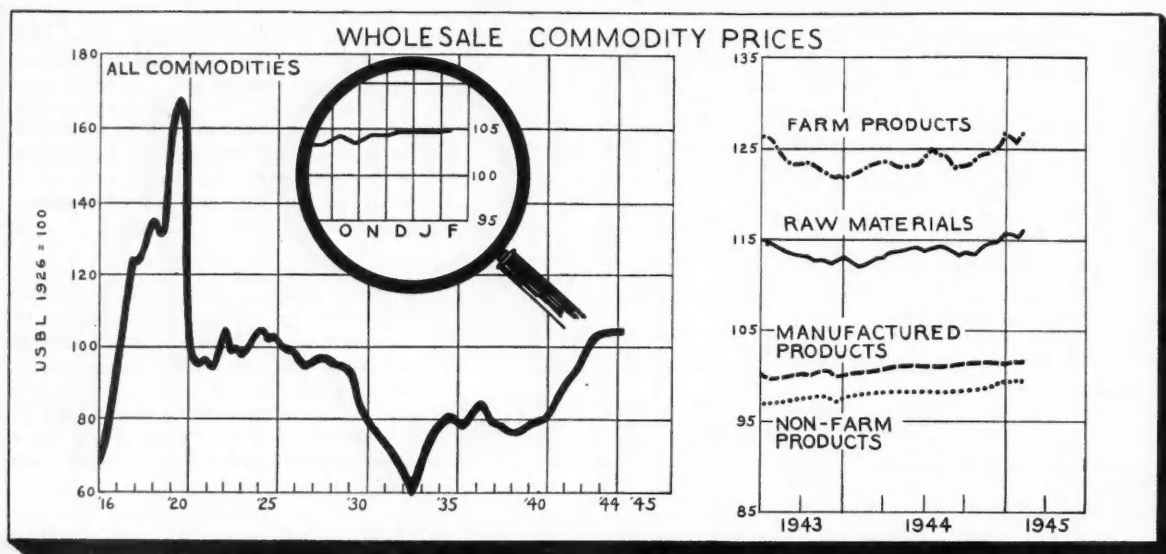
No. of Issues (1925 Close—100)	1944-5 High	1944-5 Low	Indexes Feb. 10	Indexes Feb. 17	(Nov. 14, 1936, Cl.—100)	High	Low	Feb. 10	Feb. 17
290 COMBINED AVERAGE	116.1	79.5	112.5	116.1 G	100 HIGH PRICED STOCKS	78.59	72.59	76.61	78.59 G
4 Agricultural Implements	178.9	148.6	173.2	176.9	100 LOW PRICED STOCKS	129.79	75.33	125.63	129.79 G
10 Aircraft (1927 Cl.—100)	171.4	118.5	165.6	170.1	6 Investment Trusts	50.1	34.0	47.6	50.1 G
6 Air Lines (1934 Cl.—100)	585.9	421.9	562.5	576.6	3 Liquor (1927 Cl.—100)	443.0	291.4	443.0 Z	442.6
5 Amusement	85.2	68.2	83.5	85.2 N	8 Machinery	153.2	105.2	148.9	153.2 G
13 Automobile Accessories	206.6	119.0	199.9	206.6 Q	2 Mail Order	102.0	82.5	99.8	102.0 G
12 Automobiles	40.7	17.6	39.6	40.7 P	3 Meat Packing	88.2	55.5	88.2 G	84.6
3 Baking (1926 Cl.—100)	15.1	12.9	15.0	15.1 E	11 Metals, non-Ferrous	162.3	116.4	157.7	162.3 E
3 Business Machines	242.5	171.9	235.1	242.5 G	3 Paper	20.3	12.9	19.3	20.3 G
2 Bus Lines (1926 Cl.—100)	148.0	101.9	142.4	148.0 T	22 Petroleum	163.3	121.3	158.1	163.3 Q
4 Chemicals	204.1	176.0	194.8	204.1 G	19 Public Utilities	65.6	48.7	63.0	65.6 F
4 Communication	81.6	57.1	79.9	81.6 G	5 Radio (1927 Cl.—100)	31.4	21.5	31.1	31.3
13 Construction	49.4	33.1	47.5	49.4 F	7 Railroad Equipment	78.7	51.5	74.6	78.7 G
7 Containers	311.9	220.1	302.5	311.9 G	21 Railroads	26.5	14.1	24.5	26.5 G
8 Copper and Brass	81.8	62.5	78.6	81.8 A	2 Shipbuilding	107.7	70.3	100.6	105.2
2 Dairy Products	52.3	38.6	51.9	52.3 N	3 Soft Drinks	433.6	305.2	428.9	429.7
5 Department Stores	43.1	28.2	41.8	43.1 P	12 Steel and Iron	90.3	65.7	86.5	90.3 D
5 Drugs and Toilet Articles	125.1	81.0	124.2	124.9	3 Sugar	58.1	41.7	57.3	56.9
2 Finance Companies	248.9	216.1	232.5	240.5	2 Sulphur	185.7	160.7	181.0	185.7 A
7 Food Brands	146.4	123.1	144.2	146.4 Z	3 Textiles	65.7	48.0	63.8	65.7 G
2 Food Stores	58.2	46.5	58.2 K	58.0	3 Tires and Rubber	37.8	25.4	37.0	37.8 P
4 Furniture	89.8	56.4	87.9	89.8 G	5 Tobacco	74.2	60.2	70.4	72.1
3 Gold Mining	1075.2	879.8	1045.2	1023.6	2 Variety Stores	262.5	219.7	255.9	262.5 G
					21 Unclassified (1943 Cl.—100)	148.7	98.7	144.8	148.7 A

New HIGH since: A—1943; D—1940; E—1939; F—1938; G—1937; K—1934; N—1931; P—1930; Q—1929; T—1926. Z—New all-time HIGH.

## Trend of Commodities

The Department of Agriculture's index of prices received by farmers advanced another point in January to a new war-time high—2.5% above January, 1944. Our own index of raw material spot prices also rose last week to a new war-time high, due mainly to the \$1-a-ton increase in ceiling prices for pig iron recently authorized by O. P. A. Futures, particularly for cotton, rallied sharply during the early part of the past fortnight spurred by expectation of early action on the Pace bill to raise parity prices by inclusion of farm labor costs and by Senator Bankhead's prediction that the Government's price support program would be extended for another year. The futures index sank later to a new low for the year on a move in Congress to postpone until after the war any action on a further rise in parity prices and

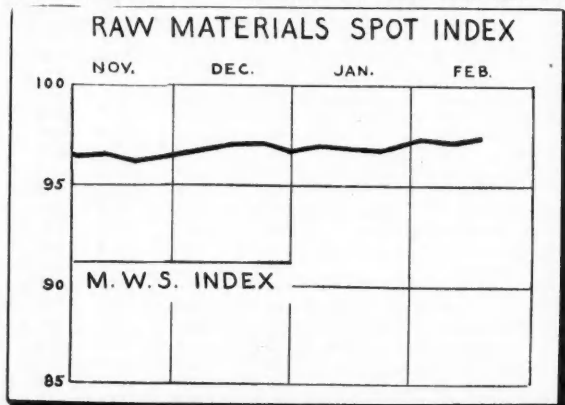
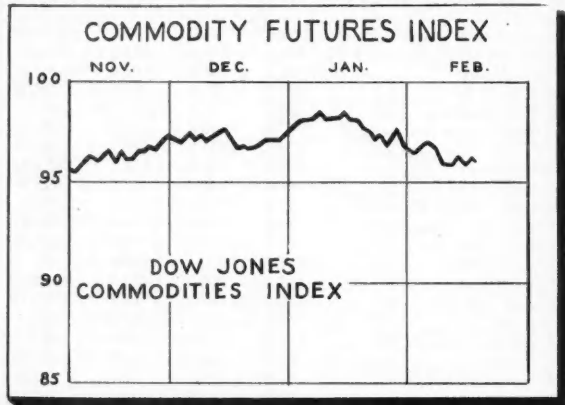
development of opposition to extension of the C. C. C. purchase program. Last year all important branches of the cotton trade favored the support program. Recently some of these same groups are against the idea, perceiving that existing marketing machinery will become disrupted if the Government becomes entrenched as the chief buyer and that farmers, becoming accustomed to a high guaranteed price, will strenuously oppose the eventual and inevitable necessity of letting prices down to competitive levels. Meat for civilians, particularly in big eastern cities, will be much scarcer this year than originally anticipated. The Government urged a reduction last year in hog supplies and got twice the curtailment asked for.



### U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES Spot Market Prices—August 1939, equals 100

	Date	2 Wk.	1 Mo.	3 Mo.	6 Mo.	1-Yr.	Dec. 6
	Feb. 17	Ago	Ago	Ago	Ago	Ago	1941
28 Basic Commodities	183.3	183.4	183.0	182.5	182.3	180.0	156.9
11 Import Commodities	169.0	169.0	169.0	168.7	168.5	168.0	157.5
17 Domestic Commodities	193.2	193.3	192.7	192.9	191.7	188.3	156.6

	Date	2 Wk.	1 Mo.	3 Mo.	6 Mo.	1-Yr.	Dec. 6
	Feb. 17	Ago	Ago	Ago	Ago	Ago	1941
7 Domestic Agricultural	224.8	224.9	223.6	221.1	223.5	221.1	163.9
12 Foodstuffs	208.4	208.7	207.5	206.3	207.5	206.8	199.9
16 Raw Industrials	166.4	166.2	166.4	166.2	165.2	162.1	148.2



#### Average 1924-36 equals 100

	1945	1944	1943	1942	1941	1943	1938	1937
High	98.66	98.13	96.55	88.88	84.60	64.67	54.95	82.44
Low	95.81	92.44	88.45	83.61	55.45	46.50	45.03	52.03

#### 14 Raw Materials, 1923-5 Average equals 100

	Aug. 26, 1939—63.0	Dec. 6, 1941—85.0	1945	1944	1943	1942	1921	1939	1938	1937
High	97.7	97.6	96.0	89.1	85.7	78.3	65.4	91.5		
Low	96.7	94.9	89.3	86.1	74.3	61.4	57.5	64.7		

## Divergent Trends Among the Oils

(Continued from page 581)

the immediate postwar period there will, of course, be some let-down due to cessation of military demands and delays in producing new automobiles. However, there will doubtless be a substantial increase in fuel oil requirements and increased usage of available automobiles should help to take up the slack. By 1950, it is estimated that demand for domestic petroleum may rise to nearly 1,900,000,000 barrels annually or about one-sixth more than the pre-war level. This is based on an estimated 34,000,000 vehicles, a sharp rise in aviation gasoline requirements, a 50% gain in the number of oil burners, bigger use of tractors by farmers.

In the old days, oil prices were subject to sharp fluctuation due to periods of temporary overproduction as new fields were brought in. Small producers sought to get their oil out of the ground before their neighbors drained it out. Of course, the solution was to curtail all production in the new field simultaneously, but this encountered local political opposition. Federal recommendations by the Bureau of Mines, which attempted to apportion over-all demand among the different fields and states, met with varying enforcement by State authorities but PAW's wartime certifications have achieved greater cooperation from the states. This increased local control, the absence of new flush fields, and more recently the close wartime controls, have tended to stabilize prices and thus improve the earnings position of the industry.

The price of Mid-Continent crude jumped from 40c a gallon in 1915 to \$3.50 in 1920, then dropped to \$1.02 in 1923; recovered to \$2.05 in 1926 but dropped again to \$1.16 a year later and remained around that level for several years. In the 1931 depression it fell to a new low of 22c but recovered to 71c by the year-end, and by 1936 was back to the \$1 level. Since that year fluctuations have been much smaller, with the price ranging only between 96c and \$1.16; and since June 1941 the Mid-Continent price has been stabilized at \$1.11. Pennsylvania

crude (which is of higher quality and used largely for production of lubricants) has remained around \$3 since July 1942, and the price for California crude has remained at 93c since April 1943.

The refining companies have benefitted by this more recent price stability and the huge demand for refined products. Thus Atlantic Refining in the first 9 months of 1944 earned \$3.41 compared with \$1.86 in the corresponding period of 1943; Gulf in the first half earned \$2.36 against \$1.23; Shell Union \$1.68 versus \$1.35, for the nine months; Skelly \$5.38 versus \$3.94; Standard Oil of N. J. in the first half showed \$2.60 against \$1.76; and Texas \$3.46 against \$2.68 in nine months. Some companies which were entirely in crude oil production, however, failed to make as good a showing as in 1943. The average net for the whole industry in 1944 was probably at least one-quarter above 1943 and the year just passed, when all returns are in, will probably hang up a new record of earnings and dividend payments. While 1945 may prove somewhat more irregular due to possible changes in war demands, earnings prospects are distinctly good, particularly so if current pressure for higher crude oil price should bear fruit. The longer range outlook, in view of the inherent growth trend in oil consumption, is likewise viewed with optimism.

According to the present outlook, operations may well continue at a peak rate until after VE-Day when a moderate decline is probable. But following an interim period of readjustment, volume should once more begin to climb and ultimately, in the ensuing peace years, exceed the war-time high.

The refining companies and concerns with a substantial stake in foreign will probably continue among the most favored issues marketwise. The former stand to benefit most from a return to normal peace-time consumption, with the end of gasoline rationing. The latter, due to the mounting accent on exploitation of foreign oil fields, are bound to improve their marketing potentials.

Foreign reserves of oil are estimated at around 30 billion bbls., about 50% larger than U. S. reserves. Of this total about 7 bil-

(Continued on following page)

NOTE—From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is an extra article of a series.

SCHENLEY DISTILLERS CORP., NEW YORK

## Amplification

An analysis of figures recently released, showing the expenditures for alcoholic beverages during the year 1944 by the American public, makes very interesting reading to those who are accustomed to perusing figures these days. The statement in question needs to be broken down, however, to make it fully understandable, and an analysis throws considerable illumination. For instance: .....

American consumers of distilled spirits, beer and wines contributed over two billion dollars in Federal taxes and, in addition, more than a half-billion went into State and local treasuries. This was more than double the pre-war Federal revenues collected in 1941 and the State and local taxes represented, roughly, an eight per cent. increase over 1943 collections. This shows us clearly that a very large percentage of the money spent for alcoholic beverages did not find its way into the coffers of producers, wholesalers or retailers. It went for taxes.

An analysis also reveals that, despite the large increase in tax collections, the per capita consumption of distilled spirits, such as whiskey, gin, etc., showed no change in 1944 as against the pre-war year of 1941. We see, too, that a portion of consumer expenditures for all alcoholic beverages included also part of the cost of service and entertainment provided in many establishments where these beverages are sold by the drink. For example, in many places, such as restaurants, hotels and cafes, the price of the drink included part of the cost of such services.

This explanation would not be entirely complete if we did not remind our readers that the rise in Federal revenues and the accompanying higher cost to consumers are obviously the results of increased taxes. For instance, in January, 1941, the tax on whiskey was three dollars a tax gallon; on October 1st of the same year it was increased to four dollars; on November 1, 1942, the tax was again increased to six dollars and on April 1, 1944, it was once more raised—again by fifty per cent.—to nine dollars a tax gallon. Remember, it takes three gallons to make a case of twelve quarts.

And may we again remind you that the American whiskey available today, either straight or blended with neutral spirits, is not "wartime" whiskey. It was produced in peacetime. Distillers ceased making whiskey on October 8, 1942. With the exception of two periods of a month each, August, 1944, and January, 1945, for twenty-two consecutive months, the industry devoted all of its distilling facilities to the making of precious alcohol for war use—and now, since February 1st, it has resumed its total wartime job.

MARK MERIT

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lion are in South America, 16 billion in the Middle East and the balance largely in Russia. Texas Company and Standard Oil of California a few years ago acquired a joint interest in an Arabian concession of about 100 million acres, together with acreage in Sumatra and Java. The Arabian (Bahrein Island) concession may prove to be immensely valuable. Secretary Ickes tried to arrange for a U. S.-financed pipeline about a year ago, but the whole issue is involved in international politics, since the British and Russians have large adjacent oil interests. However, at some future date the two American companies should be able to "cash in" on their investment in a substantial way.

One difficulty in analyzing and comparing the oil stocks is the diversity of some of their interests. Thus Sun Oil has a very profitable ship-building subsidiary, Standard Oil of N. J. has numerous chemical and other side lines, and most of the big companies are engaged in production, refining and marketing in varying proportions. The industry is not as homogenous as, for instance, the steel industry or the electric light and power industry. Another complication is the fact that some companies such as Amerada have made a specialty of accumulating large proven reserves. The estimated number of barrels in these reserves (where estimates are available) can be multiplied by some nominal price such as 50¢ a barrel to obtain reserves per share of common stock. Amerada and Gulf Oil are examples of companies with large reserves, which tends to explain the relatively high prices of the stocks in relation to earnings and dividends. Should higher prices for crude oil be realized in the postwar period, as a result of inadequate discoveries, Amerada and Gulf would be among those benefitting by their large holdings. Standard Oil of N. J. and some others also have substantial reserves, but this must always be considered in relation to the number of shares which in the case of Standard Oil of Jersey is over 27 million as compared with 9 million for Gulf and only 789,000 for Amerada.

The oil stocks, with some exceptions, do not have heavy capital leverage, and hence fluctuate

somewhat less than other industrials. Thus, in 1929, they did not reach the same high levels as the average industrial stocks, and their decline in 1932 stopped short of the extreme depth reached by the industrial index.

Through 1940, they paralleled the general market rather closely but during the war they have outpaced the rest of the industrial group by about 10% until some months ago, when oils began to lag somewhat behind the market, apparently reflecting apprehension over immediate postwar prospects. Latterly, oils have again met with increased buying demand and signs have been pointing to fairly substantial accumulation of selected issues, partly induced perhaps by hopes of higher crude oil prices. Agitation for price boosts will no doubt continue, but present satisfactory margins and large earnings seem to preclude the probability of uniform price action, that is a general advance in quotations. If anything, price increases will be granted to meet special situations.

On the other hand, the belief is widespread that temporary decline in demand after the war is not likely to foreshadow product price weakness as the oil industry will be occupied for some time in building up depleted stocks. Still the possibility of lower prices over the longer term after the war cannot be overlooked, especially should new major oil fields be discovered.

### **Sterling Bloc vs. The Dollar**

(Continued from page 561)

table, their balances are not inconsiderable, and they are still rising. Figures as of today are estimated to run materially above those given in the table, the latest official data available.

Potential effects of all this on our future export position are fairly obvious. So huge is Britain's buying power (and needs) and so large her blocked sterling debt that she could carry a large part of the trading world with her, including liberated Western Europe. Foreign buying power tied up in blocked sterling is definitely lost to us, for these blocked balances can only be liquidated by British exports. They constitute a powerful economic weapon, for

Britain could, if she could choose, use them to dictate either political or economic policies of nations now deeply involved with British credits. Such intentions are openly disclaimed to quiet American fears. Still the fact remains that in a good many sterling areas, and perhaps elsewhere, our exporters by virtue of the existence of these blocked sterling credits may find themselves effectively shut out of a promising market.

Thus the great problem has been and still is to obtain a minimum of restrictions and controls by making funds available to fuel some mechanism for the flexible handling of trade deficits. The original Keynes plan calling for a \$30 billion credit base was Britain's first bid and, being far too high, found no favor here. A compromise ensued — Bretton Woods —, with the "ante" considerably lowered. But British enthusiasm for Bretton Woods was never very great. While there has been polite applause, there were also bitter attacks. Some of the disciples of Lord Keynes went so far as to charge him with betrayal at Bretton Woods. Even before criticism reached the recent high water mark, there was an opinionated campaign in England urging postwar retention of exchange controls and warning against return to the gold standard in any form. This campaign, playing upon the public's fears of a great postwar depression, is manifestly pursuing political and social aims even more than it is concerned with financial and trade aspects, and it has powerful supporters. Thus British ratification of Bretton Woods was never a foregone conclusion even with the original proposals left undisturbed, though their acceptance was generally regarded as the greater likelihood. But any further scaling down of the proposals may make British ratification difficult to obtain.

From the purely American viewpoint, the question boils down to how large a quid pro quo we are willing to pay for postwar currency stabilization and a minimum of controls and restrictions in the interest of our trade. American business, it seems, is divided in its attitude. By and large, most exporters and importers understandably favor full implementation of the Bretton Woods agreement though there

are a good many exceptions just as there are among the bankers. The latter hopefully believe that their recommendations would be readily accepted by other countries and would "wear better in the realities of a chaotic world." This of course remains to be seen. While advocating what they consider a sounder course, it may well happen that what appears sounder to them will appear restrictive or inadequate to other countries, notably the British, and some of them are hardly likely to commit themselves to more rigid stabilization in the face of reduced borrowing powers under a revised agreement.

There is no doubt that many quarters share the misgivings of the bankers as to the workings of the Monetary Fund. The latter is open to serious objections and moreover is intended primarily as a long-run agency for monetary management. It is not adapted for dealing with some of the most serious problems in the transition period. Acceptance of the International Bank proposal, amended to include authority to make currency stabilization loans, may therefore adequately meet immediate needs. But unquestionably, what impels the Administration to press for prompt ratification of both proposals, the Monetary Fund and the International Bank, is the desire for international action now rather than take a chance on what can be obtained later in the way of international cooperation. It is a good guess that the Treasury will insist that Congress treat the proposals as one project to be either approved or voted down, confident that Congress would not go to the latter extreme.

Ultimate responsibility for decision thus lies with Congress which faces the duty of weighing the risks and advantages involved in the scale of our broadest political and economic interest. Soberly viewed, the financial risk we would incur in ratifying both proposals, while considerable, would not seem too high a price if it would guarantee prolonged postwar currency stability and open the world to unhampered trade. But obviously there can be no assurance of complete settlement of Anglo-American problems since far too broad an array of economic and strategic problems and interests are involved. The same applies, though in lesser

degree, to some of the other countries. Not the least of these problems are posed by political and social aims as, for instance, those reflected by the economic doctrines of Lord Keynes, many of which run counter to our own ideas.

### Variations in Corporate Financial Strength as Revealed by 1944 Balance Sheets

(Continued from page 567)

change of the stock's par value from \$1 to \$10. The latter was accomplished by transferring all of last year's capital surplus (\$3.53 million) and \$213,591 from earned surplus, or a total of \$3.74 million, to capital. Main purpose of the new financing and capital readjustment was to strengthen the company's position with an eye to postwar financial needs. Present position is far less liquid than that of the companies previously discussed. Both receivables and inventories bulk larger and cash holdings are relatively small. A V-credit outstanding in 1943 was further drawn upon to meet the need for working funds in 1944. On the whole, the company's financial position continues restricted in the face of present and prospective needs.

The balance sheet of E. W. Bliss Company shows a notable assets contraction, almost exclusively in current assets, chiefly cash and receivables. An almost comparable shrinkage occurred in current liabilities, mostly in tax reserves. While, as a result, working capital was little changed, the current ratio improved substantially. Remaining cash holdings nearly cover current liabilities but inventories still bulk large, amounting to almost half of current assets. With a postwar tax refund of \$649,000 included in "other assets", potential liquidity is actually somewhat greater than indicated and on the whole, the company's position is fairly satisfactory. Reconversion however may entail considerable expense, covered to the extent of \$1.47 million by contingency reserve.

The year-end balance sheet of J. I. Case shows distinctly expansive tendencies. Both total and current assets increased as did working capital but the cur-

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Cons. Edison	Phila. Electric
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Elec. Bd. & Sh.	So. Calif. Ed'n

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rent ratio remained unchanged. A feature was the sharp decline in the company's receivables, a direct result of farm prosperity which enabled farmers to make their purchases largely for cash and to liquidate much of their indebtedness to the company which is one of the leading manufacturers of farm machinery. Of the cash thus obtained (nearly \$10 million), about half was invested in Government securities while the other half was used to finance acquisition of inventories of materials needed in connection with the company's war work without resort to Government cash advances. Securities holdings now come to over \$15 million or nearly one-third of current assets; the over half of latter consist of cash and securities. The company's over-all position is one of great liquidity which will hardly be impaired materially in the future despite impending greater cash needs to finance current operations.

The trend toward liquidity was pronounced in the case of Wayne Pump where a relatively moderate increase in working capital raised the current ratio from 5.3 to 8. Over 50% of current assets consist of cash and securities holdings which in their aggregate

are more than five times current liabilities. While changes in individual balance sheet positions during the year were small, the over-all picture is one of extreme liquidity and sound financial strength.

The balance sheet of Atlas Powder reflects a strong financial position while displaying similar trends as those described at the outset of this article. Total and current assets declined but working capital increased and the current ratio improved moderately. Securities holdings almost equal tax reserves and cash plus securities cover about 80% of current liabilities. Excluding cash from contract advances and receivable and payable items incident to the operation of Government-owned ordnance plants under cost-plus-fee contracts, the current ratio would amount to 2.82 rather than 2.1 as shown on the simplified balance sheet. An additional contingent current asset arises from postwar tax refund accumulations of \$761,000 (now carried as investment among "other assets"). The company thus appears financially well prepared to organize plans for the postwar period. Only minor changes in company-owned manufacturing facilities will be necessary to return to a peacetime basis, thus reconversion outlays will be moderate.

BLISS, E. W.			
	Dec. 1944		Change
<b>ASSETS</b>			
Cash	2.774		-3.376
Marketable securities			
Receivables, net	2.950		-2.019
Inventories, net	4.898		+0.312
Other current assets			
<b>TOTAL CURRENT ASSETS</b>	<b>10.622</b>		<b>-5.083</b>
Plant and equipment	15.777		+0.050
Less depreciation	11.001		+0.370
Net property	4.776		-0.320
Other assets	0.905		-0.456
<b>TOTAL ASSETS</b>	<b>16.303</b>		<b>-5.859</b>
<b>LIABILITIES</b>			
Notes payable	0.400		
Accts. payable and accruals	1.639		-0.215
Reserve for taxes	1.113		-4.768
Other current liabilities	0.318		+0.002
<b>TOTAL CURRENT LIABILITIES</b>	<b>3.470</b>		<b>-4.981</b>
Deferred liabilities	0.041		-0.045
Short term debt	0.400		-0.400
Long term debt			
Reserves	1.471		-0.279
Capital	2.146		-0.159
Surplus	8.775		+0.005
<b>TOTAL LIABILITIES</b>	<b>16.303</b>		<b>-5.859</b>
<b>WORKING CAPITAL</b>	<b>7.152</b>		<b>-0.102</b>
<b>Current Ratio</b>	<b>3.0</b>		<b>+1.2</b>

Throughout 1944, operating conditions for Celotex became increasingly difficult — mainly due

to labor and materials shortages — requiring curtailed production throughout the year. Nevertheless, the company's financial position showed further improvement. Total and current assets declined modestly but working capital increased and the current ratio rose from 2.4 to 3.3. Cash, though declining, still covers current liabilities; the decline however was fully offset by increased holdings of Government securities. Together, these two items come to almost 50% of current assets, which are more than cover tax reserves. Elsewhere changes were relatively small and on the whole without special significance. Receivables declined moderately and there was little change in inventories. Main feature was further progress towards liquidity under difficult operating conditions.

### Political and Economic Balance Sheet of Argentina

(Continued from page 572)  
the accompanying table.

It would seem that the low level of agricultural prices (wheat, for example, is selling in Buenos Aires at the equivalent of about \$1 per bushel, while the Chicago price is \$1.75 per bushel) would assure Argentina the recovery of her pre-war markets on the continent of Europe. It is quite possible that the resumption of grain exports, which contributed almost 50 per cent of total exports in 1939 but less than 20 per cent in 1944, would give the new depressed agricultural regions enough purchasing power to make up for the likely loss of some business which the over-expanded domestic industries are bound to suffer when faced with foreign competition.

The solution of this most important postwar economic problem — the adjustment of Argentine industries to foreign competition — will also depend upon the speed with which the industries will be able to obtain spare parts and more efficient machinery as well as cheaper fuel. This is one of several reasons why Argentina is so deeply anxious to attend the Pan-American Conference in Mexico City which will have on the agenda the economic problems connected with post-war reconstruction, such as the dis-

position of shipping, access to industrial equipment, and the disposal of surplus commodities including wool, of which Argentina is a large holder. Argentina is vitally interested in this Conference because it is now quite obvious that Germany will be in bad shape in the immediate post-war years and in no position to deliver industrial equipment or even absorb Argentine products.

Similarly, the end of the war will not solve Argentine shipping problems. Although during the war she has built up a sizable merchant marine, sufficient to supply her with basic needs, Argentina has not enough ships to move all her bulky exports or bring in sufficient quantities of coal. Hence she will continue to be dependent upon the United Nations' trade and shipping facilities during the immediate post-war period as much as she had depended upon them during the war. The threat of the Buenos Aires ultra-nationalists that they will give business to Germany if we don't recognize them has gone up in smoke. Thus the road to the solution of Argentine post-war problems and her prosperity still lies in cooperation with the United Nations and with the United States in particular.

The United States will unquestionably be the first country from which Argentina will be able to buy the badly needed industrial goods and especially capital goods (plant equipment, etc.). Argentina has already accumulated sizable funds to pay for such purchases; her gold and foreign exchange reserves were equivalent to about \$1,200 millions at the end of 1943 and probably exceeded \$1,400 millions by the end of 1944. Moreover, expanded post-war exports of agricultural products should result in a succession of large export surpluses. At the same time the repatriation of Argentine securities, chiefly from Great Britain, has reduced the amount of foreign exchange necessary to cover the service on external debt and has released a corresponding amount for the purchase of goods and services from abroad.

The restoration of normal political and trade relations between the United States and Argentina is unquestionably of mutual advantage. Fortunately there are signs here and there that the two countries are moving toward

reconciliation, although too much may be easily read into some of the signs. Reporting on a meeting between the Argentine President, General Farrell and his ministers on February 9, following which an official statement was issued that Argentina "entered the phase of pre-electoral organization" which would lead to "constitutional normality", Mr. Arnaldo Cortesi, the New York Times correspondent in Buenos Aires, comments that never before has the Argentine Government acknowledged so explicitly that "the wish" of the people is to elect a representative government. The elections are, however, not likely to be held this year.

Since then there have been several moves which may or may not mean that Argentina will abandon her obstructionist policy and even join in the war against the Axis Powers. Reinstatement of the university professors who came out for "American solidarity and effective democracy" in October 1943, the suspensions of the two ultra-nationalist anti-United States papers, Cabildo and Pampero, and most recently a stiff note to Germany regarding the safe conduct of Argentine diplomats could all be interpreted as steps to end the dissidence on the River Plate.

It is true that Argentina has decided not to participate in the Pan-American Conference that meets in Mexico City on February 21, 1945. But the decision not to attend was made on January 10, when Argentina was still smarting under the snub which her proposal for a meeting of American foreign ministers received. Moreover, it was prior to the Russian offensive and just immediately after the German break into Belgium, and peace seemed then far off. The situation is changed today, and it is quite possible that Argentina will rush a delegation to Mexico City if another invitation is tendered. It is rather interesting that she accepted on February 7 an invitation to attend the inter-American Technical and Economic Conference to be held in Washington on June 15, 1945.

The Argentine public has been reported to be generally stolid and apathetic to the recent maneuvering of the Casa Rosada, and the main reason for this is that everybody is prosperous. However, there seems to be a

growing uneasiness among the industrialists who have been among the staunchest supporters of the Army Government because of the recognition which their interests have received. It seems that the dynamic Colonel Peron, as Vice-Premier, Secretary of War and also Secretary of Labor, has been organizing labor unions, with a view, some suspect, of building up a personal following. To get into the good graces of the unions, a decree was passed calling for a somewhat lavish pension fund for the employees of commercial and industrial establishment, to which the employees are to contribute 8 per cent of their salaries and wages and the employers 11 per cent. In addition, revenue from a 2 to 6 per cent sales tax is also directed into the fund. In the words of the Buenos Aires letter of the First National Bank of Boston, the establishment of the pension fund will have far-reaching effects upon Argentine business, Government financing and eventually also the cost of living. It is certainly going to make far more difficult the adjustments that Argentine industries will have to make when the war is over.

In conclusion it may be said of the military clique headed by General Farrell and Colonel Peron that its stand for ideas now fast going bankrupt in Germany will increase Argentina's difficulties during the critical war-to-peace transition period. The continuation of the present prosperity can be best assured by cooperation with the United States. At the same time, however, it would be unwise for the United States to bear a grudge against Argentina for her failure to adhere unquestioningly to our brand of inter-Americanism with which other Latin American countries might have disagreed had they been stronger economically and politically.

Moreover, if the present Argentine Government lasts through the post-war era, which is quite possible in view of the political indifference of the people, its truculent, dog-in-the-manger attitude could, by hanging on to various totalitarian measures, obstruct the post-war reconstruction in the Western Hemisphere. Considering all this and knowing that victory is within our grasp, we could even afford to make the first conciliatory move and there-

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by give Argentina an opportunity to save her face. In this connection, developments at or arising from the Mexico City Conference will be watched with more than ordinary interest.

## A Study of Selected Companies — Comparing Asset Value to Market Price

(Continued from page 564)

most of the high-asset stocks are those of companies with small, or relatively small, common share capitalizations. It is largely for that reason that book value, and quick assets per share, show up so well. Under active business conditions, small capitalizations tend, of course, to make for above-average gains in earnings per share.

## Speculative Position of the Aircrafts

(Continued from page 582)

and 90% on all incompletable jobs or materials incident thereto, thus permitting in the event of contract terminations translation of huge inventories into cash and corresponding liquidation of company obligations to thousands of sub-contractors. If this arrangement can be assured of freedom from red tape and delay, it will naturally prove very helpful to the manufacturers when their hour of trial arrives. On the other hand, possible temporary operating losses, tax payments, reconversion expenses, and even currently discussed severance pay will magnify the need of strong cash resources during the period of transition. Managements find it difficult at this time to appraise accurately their full cash requirements after VJ day and are much aware of the magnitude of the problem, as once started, the period of transition to civilian production might drag out for months, though purely technical reconversion problems do not appear unduly burdensome.

Uppermost in everyone's mind

is the inevitable dislocation of labor during the reconversion months, with peak employment of over 2,000,000 workers in the aircraft industry alone indicating a potential drop of 1,600,000 workers who will require assistance in finding new jobs. To meet the proposed solution by so-called "severance payments" to workers could conceivably bankrupt the treasuries of some of the aircraft manufacturers whose present payrolls are at dizzy heights in contrast to normal levels. Management and stockholders will wish to subscribe to any practical formula which will help solve this paramount problem, provided it can be done within the framework of a financially acceptable pattern.

Currently, the operations of the aircraft industry continue at an undiminished pace, with net earnings as a rule about equal to, or in special cases even exceeding 1943 results. Little change is expected. Similar facts will undoubtedly feature reports until the advent of at least VE day. Dividends will be held to conservative levels in order to bolster cash resources. With the trend of Government orders distinctly favoring the production of heavy bombers, long range fighting planes and transports, certain individual concerns specializing in such equipment will benefit more than producers of smaller aircraft. Fairly good business, however, seems in prospect for the entire industry within the time limit mentioned. When the European War is finished, and provided the Japanese are still belligerent, sharp cutbacks to the extent of 40% are to be expected. If such an interim readjustment occurs, it should serve as an important cushion to the industry in meeting the final impact of peace.

While prophets with both enthusiasm and gloom are plentiful, multiple uncertainties forbid any dependable estimates of longer range prospects. The tremendously stimulated advance in the science of aeronautics during the war leaves no room for doubt as to the industry's well-secured place in the field of transportation and marked growth above prewar levels. The kaleidoscopic changes in design and methods of propulsion, many of them secret for the duration, for a long time to come will effect continu-

ous changes in the industrial picture as a whole as well as in the progress of the component companies involved. Radical revisions of factors covering costs, size, speed, design, safety and operating expense of tomorrow's planes may accelerate the rate of obsolescence far more than in any other major industry. Granted this reasonable premise, the industry's future volume prospects should be correspondingly benefited.

The importance of the obsolescence factor to the prospects for profitable aircraft production after VE-Day is clarified by Department of Commerce estimates of possible annual sales by the industry within five years after the war, to the following consumer classes: Military \$1,000,000,000—Domestic transport \$110 million—International transport \$20 million—Domestic private aviation \$100 million—Exports \$40 million. While the timing and relative amounts in the different categories of course are speculative, though based on intelligent research, the figure indicated for military consumption is very significant. If postwar requirements of our military establishments involve replacement of aircraft on any such scale as that indicated, only anticipated constant scientific improvements could account for it. From this point of view, time may prove the amounts in the other classifications to have been conservative, to say the least. By the same token, the enormous number of surplus planes owned by the Government at the end of the war may not prove so realistic a threat to continued production as has been supposed.

Civilian needs will mainly center on relatively small, low-cost planes and perhaps helicopters, and while the larger planes for freight and passenger service may embody the main features of the B-29s and the Army transports, it will be realized that operating costs will require many important changes in detail before their widespread civilian use could be possible. As there will be none but foreign military demands to absorb our surplus fighters, a huge number of surplus planes at the war's end will largely have to be scrapped or stored for standby purposes, permitting the aircraft industry more or less to start from scratch in planning

its peace time production. Backlog orders from the large transport lines, involving peacetime deliveries, already run into hundreds of millions of dollars. With hundreds of thousands of trained pilots returning from the front, and with a public more air-minded than ever, growing popularity of transport by air should reasonably soon establish most aircraft manufacturers upon a sound though more deflated basis.

Reference to the accompanying chart will aid in studying the relative positions of the more important aircraft makers. Among those now specializing in the larger bombers and transport planes are Boeing, Consolidated, Curtiss-Wright, Martin, Douglas, and Lockheed. Some of these concerns, of course, have a well diversified line of smaller planes as well. Well equipped to compete in postwar civilian markets for lighter planes are Curtiss-Wright, United Aircraft, Fairchild and some others.

Supplementary study will reveal that the current price-earnings ratios of the concerns listed are very conservative, reflecting difficulty in appraising postwar conditions for the industry. Since midsummer of 1944, however, marked increase in investor confidence has occasioned a steady upward trend in common stock quotations for the group. But even at present levels the aircraft stocks may have over-discounted both the temporary character of war business and the clouded longer range outlook. While with few exceptions, these stocks must be classed as highly speculative, the greatly strengthened financial positions of some furnish a basis for interesting study, in view of perhaps better than expected future potentialities when the uncertainties of the transition period have been cleared up.

Most of the uncertainties are of a financial character since resources of aircraft makers, while large by prewar standard, are small both in relation to present business volume, inventories and payrolls, and to probable requirements until normal markets are restored. Other adverse factors are over-capacity and eventual disposition of surplus planes and equipment.

Successful solution of most of these problems lies in the hands of the Government and steps al-

ready taken suggest that later action will be constructive. This has tended to produce somewhat more hopeful appraisals of the industry's ability to weather the difficulties that must come with peace. Confounding the skeptics, aircraft manufacturing stocks have recorded a notable price performance in recent months and continue to acquit themselves creditably marketwise. Despite of this, present price levels by and large still appear fairly realistic. Many of the leading aircraft stocks sell at no more than about their net working capital and for less than their aggregate 1941-43 earnings, before reserves. Not only has war-time earning power been capitalized quite conservatively, but going prices are only about 60% of their last peace year highs. Obviously, there has been little or no price inflation which must be liquidated with the return of peace and consequently, relatively small peacetime production may be fully adequate to support current market prices, regardless of tax relief prospects.

It is safe to assume that the aircraft industry after the war will continue its underlying growth trend though departing from a sharply reduced level. The great uncertainty is that no accurate forecast of early postwar markets for airplanes is feasible and that any attempt to gauge the industry's competitive line-up after the war must be equally conjectural. The race to capture growing peace-time markets will undoubtedly find some companies jumping far in the lead and others lagging behind. The difficulty is to pick the leaders and the laggards.

### Both Sides of the Air Transport Picture

(Continued from page 584)

cause of delays in meeting promptly the enormous demand for new automobiles and new railway passenger cars, and the anticipated urge to travel. Rates are being reduced and may be cut further in order to draw traffic away from the railroads. Express business will be stimulated by lower rates, and inroads may also be made into some items of high class freight traffic now handled by the railroads. However, the latter prospects have probably

been somewhat exaggerated, for airline freight costs will remain substantially above average railroad costs for some years to come. Certainly the railroads will always retain their heavy and bulk business.

Experiments will doubtless continue with helicopters, trailer planes, jet planes, etc., and revolutionary changes or innovations in the industry may result from the application of present secret military developments. It is impossible to gauge the effects of these improvements on operating costs, but certainly great progress can be expected in the size and speed of planes, which will doubtless reduce overhead costs on main line mileage.

While a very large expansion of air traffic, both passenger and otherwise, is an assured favorable factor in the longer range outlook, there are other elements which from an investment standpoint make for considerable uncertainty. One is the need for substantial capital to finance postwar expansion. Additional uncertainties lie in Government regulation of rates and routes, in the unclarified competitive status of individual companies in both domestic and foreign operations, especially the latter. For some time after the war, profits per plane-mile may be less than now, and the long-term dividend outlook is not nearly as clear as the volume outlook. In any event, the postwar expansion program is bound to restrict dividend payments for some time to come, thus whatever appeal air transport equities have is largely speculative.

Last year's operating results which began rather inauspiciously, have improved from quarter to quarter and there is every likelihood that full 1944 net income, as estimated in the appended table, will be well above that of 1943 for most companies. Earnings improvement may continue this year, though on a smaller scale, depending on tax factors and operating margins.

Meanwhile price-earnings ratios continue high for most air transport shares, in some cases excessively high, emphasizing the speculative element based primarily on the growth factor. None of them should be considered as anything but a distinctly long-term speculation though the general outlook picture is now

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A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable April 2, 1945, to stockholders of record at the close of business March 2, 1945.

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### ANACONDA COPPER MINING CO.

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The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50¢) per share upon its Capital Stock of the par value of \$50. per share, payable March 26, 1945, to holders of such shares of record at the close of business at 3 o'clock P.M., on March 6, 1945.

JAS. DICKSON, Secretary & Treasurer

beginning to crystallize to the extent affording a reasonable basis for choice among individual issues.

Such companies as American Airlines, United Airlines, Eastern Airlines and Transcontinental & Western would appear to have a certain edge as far as future potentials are concerned. Pan-American Airways remains the leader in the foreign field but may be subject to sharp competition. Moreover, the future of foreign air transport is complicated by numerous political factors, hence still rather confused.

## \$13 billion worth of Public Works planned for postwar by States and Municipalities

(Continued from page 574)

has already been blueprinted. Not to be overlooked in the tally are hospitals, schools, courthouses and other public buildings expected to cost about \$900 millions, counting only those in the definite planning stage.

The Civil Aeronautics Administration has recommended improvements to 1,625 existing airfields and construction of no less than 3,050 new ones to be scattered throughout the country. Necessary expenditures for these will come to an estimated \$1¼ billion and suggestions for Federal aid to assist in the program are now under consideration by Congress. Among the veterans coming home will be many thousands of trained pilots, promising an enormous increase in private

flying, and therefore in the need for airports. The Government has already sold more than 3,000 surplus training planes to civilians and, at the end of the conflict, a much larger number of planes become available for transfer to civilian use. Add to this the swarms of new planes to be produced for amateur or professional use, and the necessity of peppering the map with landing fields and parking space becomes clear, if the expanding air traffic is to be handled with safety and convenience. There is no question but that many such facilities will be provided, although with maintenance costs known to exceed frequently income from operations, caution may delay full development of the program considerably.

All in all, scarcely a day passes without new announcements of postwar public works plans by states and municipalities. Some of these are well advanced and ready to be started as soon as conditions permit. Others are still in the blueprint stage, still others only in the idea stage.

A survey of state plans reveals that public works projects in the "ready-to-go" stage total \$823 million in 24 states, with an additional \$3,917 million in the idea stage. These figures exclude highway plans and comprise mostly construction of public buildings, hospitals, schools, grade crossings, irrigation projects, etc. However, vast highway construction programs are also envisaged. New York State alone anticipates that over \$800 million would be needed to cover plans now being worked out with municipalities to provide needed highways, parkways and grade crossings. Similar needs of other states amount to \$100 million in the case of Massachusetts, \$160 million for Florida, \$135 million for Michigan, \$80 million for California, etc.

Even more ambitious are the projects of our large cities. New York City, for instance, has over \$1.2 billion in various stages of planning; it is hoped at least half will be covered by federal and state grants, and by private capital. Chicago's projects total over \$900 million, over half of which is expected to be financed from special revenues. Detroit's plans come to about \$270 million, those of Philadelphia to \$205 million. Los Angeles expects to spend

\$400 million over a period of six years while Cleveland will defer almost half of its \$170 million program until after 1950. Exceptionally, Milwaukee plans to finance its six-year \$22 million program on a cash basis from current taxes.

While municipalities generally have had operating surpluses, the war has not been as generous to them as to state governments in enabling them to accumulate cash reserves. Consequently, their postwar improvement programs must be financed mainly through borrowing.

### **What's Ahead for Machinery and Machine Tools?**

(Continued from page 577)

Summing up, it can be said that there is growing belief that postwar prospects of the industry are generally favorable. While the outlook is not without uncertainties, the favorable factors inherent in the future picture have caused investors to assume a more constructive attitude towards stocks of selected companies, notably those planning important improvements of their products, or otherwise displaying progressive policies. Except in a few cases, reconversion will be relatively simple. The regular products of most companies have been in strong demand during the war and a return to peace-time operations will not require large cash expenditures. Despite heavy renegotiation and tax payments, large war-time earnings have materially strengthened financial positions and balance sheets reflect this in sharply increased working capital.

Postwar sales of course are bound to drop well below the inflated war-time levels, but the cushioning effects of industrial reconversion requirements, the expected strong domestic and foreign demand and probable elimination or at least modification of EPT should make for earnings comparing favorably with fairly good pre-war years. In the longer run, of course, keen competition must be reckoned with, just as cyclical influences will again make themselves felt.

To what extent have machine tool stocks discounted the more optimistic appraisal of what's ahead for them? Most machinery shares in recent months have

done somewhat better than the general market in contrast to their laggard action in 1942 and 1943 when operations reached their peak. Some such as Bullard and National Acme enjoyed their own private "bull market" with very substantial percentage increases in market price. Most shares over the past twelve months have made new wartime highs and are currently holding close to these levels. Yet on the whole it can hardly be said that there has been any overdiscounting of future prospects. Dividend yields even at current prices are still better than average and price-earnings ratios on basis of average prewar earnings are for the most part not excessive.

Still any commitments in machine tool shares must necessarily be governed by selective judgment reconciling widely varying factors and situations rather than by a general appraisal of the industry's outlook as a whole. The industry after all includes a great many companies serving various fields, each offering different problems and prospects. It is far from a homogeneous group; rather it is a composite of many trades manufacturing widely dissimilar products ranging from small hand tools to the most complicated type of machine tools and machinery.

Builders of metal working machinery, for instance, will be far more subject to the uncertainties of the surplus problem though the latter, as we have shown, now looks not nearly as threatening as some time ago. The demand outlook in the field of power generating equipment, due to heavy replacement needs which frequently couldn't be satisfied under war-time conditions, on the other hand appears fairly promising. So is the outlook for diesel sales, a market so far only partially exploited.

Mining equipment and conveying machinery sales are likely to drop sharply from war-time levels but as far as the latter is concerned, the decline will be governed importantly by postwar construction activity. A large amount of second-hand construction machinery will be on hand after the war, yet if activities in the construction field expand sharply, new equipment demand should hold up fairly well. On the other hand, the call for oil industry machinery such as drill-

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ing equipment, etc., should be good because of the present curtailment of production and plans for a considerable expansion of postwar activities in this field. Prospects for manufacturers of specialized machinery mainly used in consumer durable goods industries are judged favorable inasmuch as regular line production in virtually all these trades has been stopped for the war's duration. Demands for replacements and modernization should be sizable.

This shows that apart from the general outlook, each branch of the industry—and each company, for that matter—must be examined individually for proper evaluation of postwar prospects and speculative merits. With very few exceptions, machinery shares due to the pronounced cyclical factor have never enjoyed any measure of investment calibre though some companies such as Ingersoll-Rand, Fairbanks-Morse and Caterpillar Tractor in the past had good earnings, offering substantial yields. With most companies financially well heeled, the prospect is that dividends may be maintained for some time even should earnings become leaner for a while, as for instance during the transitional phase. While conjectural, it is a prospect which seems to add to the current attraction of the group.

## Answers To Inquiries

(Continued from page 590)

year ended April 30, 1944, \$2.16 in 1943, \$2.86 in 1942, \$2.75 in 1941 and \$2.42 in 1940. Earned 46 cents in the first quarter of fiscal year for 1944-45. Average earnings for five years \$2.47. Price earnings ratio was 8.6 times its 1944 per share earnings. Dividend distributions have been very conservative in last five years. In that period it earned \$12.39 per share on common and paid out only \$5.25 or 42.3%. At current market price of about 20 the yield is over 5%. Based on foregoing date this equity appears to be reasonably priced. Post-war prospects are favorable.

There are many persons concerned with the threat of inflation and so we have written two articles on this subject in the January 6th and 20th issues and we refer you to them.

## Crucible Steel

*Do you think Crucible Steel, selling around 43, is a good investment?*

—W. B. A., New York City

Assuming much smaller reserves than the \$11.70 a common share provided in 1943 for contingencies, profits for 1944 probably about equalled the \$7.48 a common share reported for the year before. A somewhat smaller rate of gross profits is indicated for the next few months. A year end dividend of about \$3.00 is likely. The peak in sales of alloy steel and ordnance has probably been reached, but the volume of production is likely to hold at a high level until Germany surrenders.

Demand for stainless and other high grade steel from the oil, railroad, and farm implement trades should expand.

This common stock on current earnings and prospects appears attractive.

## 2500 Niagara Hudson Power

*A year ago I bought 2500 shares common of Niagara Hudson Power Corporation at 3½, trusting we might elect a Republican president.*

*Will you give me your opinion on what is now best to do with this stock?*

- 1) It can be held for a year or longer if there is prospect of some appreciation.
- 2) Would it be well to switch to other stocks that may rise more rapidly?
- 3) Should the stock be sold now and remain liquid until after the "reconversion slump" which will supposedly come with cancellation of war contracts when the European war ends, and then possibly be able to pick up stocks, at a lower price?

With many thanks for your opinion in this regard, I am

—D. P. R., Toledo, Ohio.

This system is the largest distributor of electric power in the world. The plan to merge operating subsidiaries into a new company was rejected by the New York State Commission and SEC. Company has appealed to court for a re-hearing. In 1932, present common stock was exchanged one share for three old shares. Irrespective of final reorganization plan, the common at recent price of 3½ (1.208 for original common) appears reasonably priced and should eventually sell higher.

Unless this commitment is too large in relation to your total

## PHOTO CREDIT

The photo on page 557 of this issue is a reproduction of the cover jacket of "Flight To Everywhere" — a pictorial record of Ivan Dmitri's journey over the world circling routes of the Army's Air Transport Command. (Published by Whittlesey House)

funds, we recommend retention for the near term.

Selectivity will be the best investment policy for 1945. For the immediate market, we expect fluctuating movements calling for more than ordinary emphasis.

## As I See It!

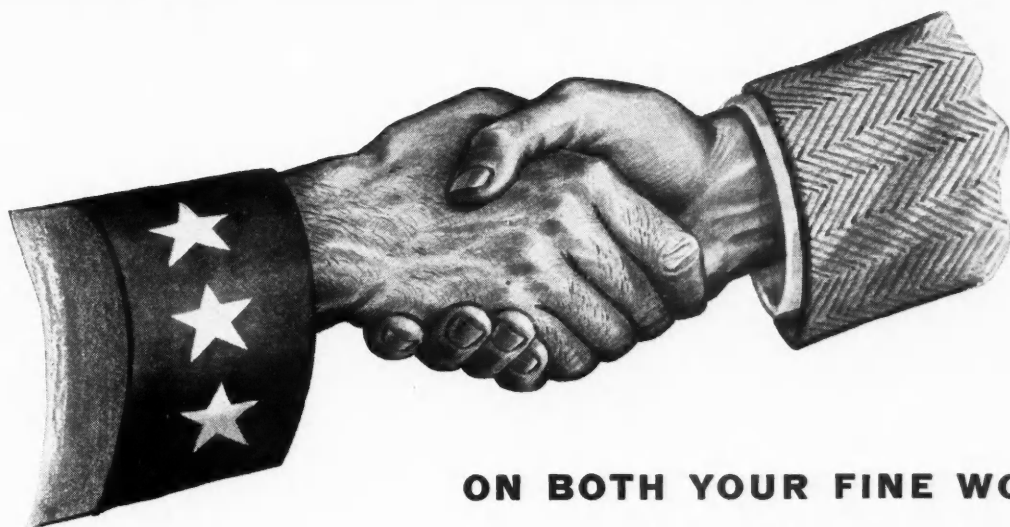
(Continued from page 557)

has been held up as a glowing ideal ever since the last war but it has nearly always conflicted with the realities of practical politics, and still does. The Arab states themselves have innumerable differences, complicated by problems of their own as well as the strategic interests of the great powers. Success in achieving unity among themselves might have tremendous effect upon plans and interests of the United States, Britain, Russia, and France after the war. Little wonder, then, that the whole Middle Eastern area today resembles a huge chess board for economic and political maneuver seldom matched anywhere else.

Britain's political and strategic interests, the Near Eastern oil resources and the Palestine question remain of crucial importance in the region. On many points, there appears to be at least potential conflict with our own views and aspirations, as well as with Russian ambitions. Britain's position as the dominating power has been greatly challenged.

It is against this background that recent conversations in Cairo were held. We do not know whether they led to concrete results; how far possible conflicts have been ironed out or compromised. But we do know that this country now has more than a passing interest in the Near Eastern picture. It is for that reason that we are deeply concerned about the kind of settlements that will be arrived at, the bearing they will have on peace and harmony among the allies. No doubt the bargaining will be brisk; the Middle East surely will prove a supreme testing ground of future relations of the great powers. The political need of the Middle East — unity — and the economic need — industrial development and rising living standards — are aims which they can both applaud and help to achieve, provided they are guided by enlightened self-interest.

# CONGRATULATIONS...



## ON BOTH YOUR FINE WORK AND FORESIGHT ON THE PAYROLL SAVINGS PLAN!

**I**N your wholehearted support of the Payroll Savings Plan, you are doing far more than backing the most valid system of war financing—and building a powerful dam against the onrush of dangerous inflationary dollars.

By encouraging the all-out participation of your employees in this greatest of all savings plans, you are helping to create a sound economy for post war days.

With this same plan, you are assisting working America to build a mainstay against the inroads of unemployment and want—to save for homes, educa-

tional advantages and old age comforts!

You and your employees, through *mutual* cooperation in this forward-looking plan, are gaining a new and closer understanding—the cornerstone of a firmer, *mutually* profitable relationship!

National benefits, too, follow the “All Out” effort you are making! The prosperity of our United States rests on the economic stability of both management and labor. Your Payroll Savings Plan is working constructively toward the assurance of both!

*The Treasury Department acknowledges with appreciation the publication of this message*



*This is an official U. S. Treasury advertisement prepared under the auspices of Treasury Department and War Advertising Council*



# IMPORTANT MESSAGE

## *To investors whose Securities are not supervised professionally*

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**F**ROM his broad experience, a veteran investor once said:

"Sound investment counsel is the cheapest thing you can buy—free tips are often most costly!"

Recently one of our clients in New York who pays us \$300 a year for the supervision of his \$23,000 portfolio rephrased this in his letter as follows:

"I am very pleased and appreciate your efforts. There is simply no word for your timing. This is worth to me five times the sum of \$300. I would feel better if your service were \$1,000."

### *An Investment Which Pays for Itself*

The millions of dollars in large and moderate sized accounts placed and kept under our supervision, year after year, bear eloquent testimony that our annual charge represents an investment which can pay for itself many times over in increased safety, income and healthy capital growth.

Yet, many persons who employ the services of the lawyer, architect and accountant to help them with their special problems, neglect to give their investments the protection and advantages of competent professional management.

They continue to risk the safety and progress of their funds on tips from biased sources, sales presentations, intermittent suggestions from well-meaning friends.

Is it any wonder that of all persons who are rich at thirty-five and live to be sixty-five, 87% lose the bulk of their estates in the intervening years.

### *Your Problems Are Our Business*

The coming year will be a difficult one for the investor with a substantial security list. While the major advance should continue, it will become more and more selective in nature. The fortunes of companies, industries and countries are changing drastically.

Obviously a fully equipped and trained professional service, devoting all its time to the management of investments should be able to do a far more effective job in solving your investment problems than you can do unaided or with limited assistance.

Investment Management Service is completely personal. Every security recommended is selected for the successful accomplishment of your individual wishes and aims. All your issues are continuously supervised and you are advised when any purchase or sale should be made.

### *How Our Fees Are Computed*

Our annual fee is governed entirely by the size of the portfolio to be supervised. The minimum yearly charge is three hundred dollars. Our standard rate is  $\frac{3}{4}$  of 1% of the market value of stocks and cash plus  $\frac{1}{2}$  of 1% of the value of your bonds.

According to the Revenue Act of 1942 you can deduct our fee from your income for Federal income tax purposes—considerably reducing the net charge to you.

If you are not completely satisfied with your investment progress we invite you to take advantage of the special invitation below. We will price your list currently and quote an exact fee for supervision of your account in the coming year.

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**Special Invitation...** *without obligation, we offer to send you a confidential, preliminary review of your portfolio if it exceeds \$20,000 in value—commenting frankly on its possibilities for capital growth, its income factor and its diversification. Your least favorable issues will be specified. Merely send us your list of holdings and objectives in as complete detail as you care to give.*

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INVESTMENT MANAGEMENT SERVICE

*A Division of The Magazine of Wall Street*



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